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## COMMUNITY & SCHOOL SYSTEM OVERVIEW

### Community

Ocean City, which is dubbed “America’s Greatest Family Resort,” is located on the east coast of the United States in Cape May County, which is New Jersey’s southernmost county. The city encompasses 6.92 square miles and has a population of 15,661 (1996 estimate). Ninety three percent of the residents are white, 5% are black and 2% consist of other races.

The per capita income for 1989 was \$20,399; the median family income was \$38,998; and there were 1,012 in poverty. Educational attainment included 3,034 with college degrees and beyond, 3,839 high school graduates and 383 persons with 0-8 years of school. In 1996, real property valuations were about 89% residential, 8% commercial, 1% apartments and 2% vacant. The median value of a single family home was \$176,700.

Much of the business activity in this community revolves around tourism, real estate and construction. The population is very seasonal, as is common among the shore communities.

The city has been a family-oriented seaside resort for over a century. A barrier island, it lies just south of Atlantic City. Its eight miles of beaches and three-mile boardwalk attract many tourists to the east side of the island, while the bay and marshes characterize the western boundary.

### School System

The Ocean City School System has three schools located on three sites: primary school (grades K-3), intermediate school (grades 4-8) and high school (grades 9-12). The system’s student enrollment for the 1998-99 school year was 2,350. This represents a significant and steady decrease in the number of students (-246) since the 1995-96 school year:

1995-96	2,596 students
1996-97	2,501 students (- 95)
1997-98	2,421 students (-175)
1998-99	2,350 students (-246)

Ocean City is the receiving district for students in grades 9-12 from Corbin City, Sea Isle City and Upper Township. Interestingly, 51% of the Ocean City High School students are from Upper Township; 6% from Sea Isle City and 1% from Corbin City, as compared to 42% from Ocean City.

In addition to the public schools, Ocean City has one K-8 parochial school. Community services include a free public library and an extensive recreation program. Local government consists of a mayor, who serves a four-year term, and seven council members, who serve four-year terms.

At the time of this review, the district had 245.7 (FTE’s) certificated staff: 206.7 classroom teachers, 28 educational support services personnel and 11 administrators/supervisors. The district also had 88.5 (FTE’s) non-certificated support services personnel: 40.5 service workers, 25 teacher aides, 22 clericals and 1 technician.

According to New Jersey Teacher Salaries and Salary Guide, 1997-98 Edition, which is based on NJEA research, in Cape May County, the Ocean City district has the highest teacher salary range (\$35,500 – \$76,000), the highest average classroom teacher salary (\$59,868), and the highest median teacher salary (\$61,250).

Ocean City's budgeted 1998-99 per pupil cost was \$9,563. This was \$1,349 above the state average. According to the March, 1999 NJDOE Comparative Spending Guide, out of 75 New Jersey school systems of operating type K-12/1,801-3,500 students, Ocean City ranked 70<sup>th</sup> (low to high.).

Language, cultural and ethnic diversity in this district are minimal with 99.9%+ of the student body speaking fluent English and a minimal ESL Program. Student attendance rate for the district is above the state average in the high school (93.0%) and approximately 1% below the state average in the middle and primary schools: 93.9% and 94.1%, respectively.

Ocean City has a relatively transient student body, particularly at the high school and primary schools. This has been attributed, at least in part, to a growing number of "winter rentals." Transient rates recorded for the 1997-98 school year, according to the NJ School Report Cards were as follows: high school (19.3% which is 5.7% above state average) and primary school (24.1% which is 9.3% above the state average). Interestingly, the transient rate at the middle school (12.2%) is 2.6% below the state average.

The high school drop out rate has been consistently below the state average for the past three years and continues to decrease.

## **I. BEST PRACTICES**

A very important part of each Local Government Budget Review Report is the Best Practices Section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness:

### **Extension Program**

The primary goal of the Ocean City Extension Program is to provide a non-traditional educational opportunity, vocational direction and a career pathway to students who have not been successful in the regular high school environment. The program follows the Ocean City High School calendar and offers a modified, more individualized curriculum aimed at increasing basic skills achievement.

A proficiency-based instructional strategy allows each student to work at his/her own pace following the Ocean City High School curriculum and graduation requirements along with additional credits earned through CO-OP work experiences. Students receive individualized professional support, e.g., counseling and teacher encouragement, aimed at helping them to receive state endorsed high school diplomas and possibly go on in their educational endeavors or into careers.

The school day is four hours long, beginning at 2:00 p.m. In addition to content area instruction, students receive support services as needed. Career counseling, drug and alcohol counseling, individual and group counseling and social services are provided.

Students enter the program through a referral process monitored by the Ocean City High School Pupil Assistance Committee (PAC). Students are referred by teachers, guidance counselors, PAC, Child Study Team (CST) members, administrators and parents.

Students are commonly identified and referred to the program as candidates based on such criteria as:

- risk of failing or dropping out of school;
- need for a non-traditional educational schedule;
- poor attendance record;
- involvement with chemical substances;
- involvement with the juvenile justice system;

- inability to follow or conform to traditional school rules and policies; and
- negative experiences in relation to such things as the traditional school setting, traditional methods of instruction and learning, etc.

### **“Partners in Distance Learning” Program**

Ocean City is presently participating in this program which is part of a countywide consortium established in 1995. The district is able to share costs for selective services with other members of the consortium, thereby reducing costs to the district. Examples of how this program does or has the potential to promote savings for the district include the following:

- The district’s number of individual field trips can be reduced via “Electronic Trips.”
- The curriculum can be expanded by adding and sharing with other districts specific courses that an individual school system might be less likely to offer.
- Teacher training and development workshops can be offered to several districts simultaneously.
- A broader selection of AP courses can be offered and shared by several districts via teleconferencing.
- Round table and small group discussions can be held for various inter-district groups.
- Small group counseling services can be offered to students, staff, etc. from several districts via teleconferencing.
- Common directions can be offered countywide for various state level and standardized test taking.
- Coverage of national level events can be offered to districts throughout the county.

It should be noted that distance learning offers a lot of potential for future expansion and Ocean City, as well as the other participating districts, should be encouraged to explore new ways of utilizing this resource.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as attainable goals. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

### **COMPARATIVE ANALYSES**

Many of the findings and recommendations contained in this report are based, at least in part, on data contained in various New Jersey Department of Education (DOE) documents. Ocean City data is compared with districts of similar size and demographics (socio-economic district factor groups – DFG's) as well as state averages. Most of the comparative data used in this report was extracted and compiled from documents reflecting the school year 1997-98. Data sources, other than DOE documents, include individual districts, various state agencies, state education associations, publications and private industry.

School districts used in this study for comparative purposes include Collingswood Borough, Point Pleasant Borough and West Deptford Township. The following table, (Table 1), which is based on the districts' Comprehensive Annual Financial Reports (CAFR's), compares the revenue sources of the four districts:

**Table 1**

<b>Revenues</b>	<b><u>Ocean City</u></b>		<b><u>Collingswood Boro.</u></b>		<b><u>Point Pleasant</u></b>		<b><u>West Deptford</u></b>	
<b>General Fund</b>								
Local Tax Levy	\$15,473,789	57.7%	\$8,242,372	41.3%	\$16,861,422	65.9%	\$14,711,189	54.2%
State Aid	\$2,746,054	10.2%	\$8,773,364	43.9%	\$6,286,639	24.6%	\$9,843,832	36.2%
Federal Aid	\$0	0.0%	\$7,222	0.0%	\$1,202	0.0%	\$0	0.0%
Tuition	\$6,855,516	25.5%	\$1,210,332	6.1%	\$69,242	0.3%	\$83,054	0.3%
Miscellaneous	\$87,664	0.3%	\$388,744	1.9%	\$463,913	1.8%	\$577,564	2.1%
<b>Total General Fund</b>	<b>\$25,163,023</b>	<b>93.8%</b>	<b>\$18,622,034</b>	<b>93.2%</b>	<b>\$23,682,418</b>	<b>92.6%</b>	<b>\$25,215,638</b>	<b>92.8%</b>
<b>Special Revenue Fund</b>								
State Aid	\$674,658	2.5%	\$415,885	2.1%	\$163,645	0.6%	\$423,735	1.6%
Federal Aid	\$425,972	1.6%	\$363,550	1.8%	\$417,858	1.6%	\$741,185	2.7%
Other		0.0%	\$4,449	0.0%		0.0%		0.0%
<b>Total Revenue Fund</b>	<b>\$1,100,630</b>	<b>4.1%</b>	<b>\$783,884</b>	<b>3.9%</b>	<b>\$581,503</b>	<b>2.3%</b>	<b>\$1,164,920</b>	<b>4.3%</b>
<b>Debt Service Fund</b>								
Local Tax Levy	\$542,058	2.0%	\$338,642	1.7%	\$1,136,328	4.4%	\$594,075	2.2%
State Aid		0.0%	\$172,201	0.9%	\$105,296	0.4%	\$166,175	0.6%
<b>Total Debt Service Fund</b>	<b>\$542,058</b>	<b>2.0%</b>	<b>\$510,843</b>	<b>2.6%</b>	<b>\$1,241,624</b>	<b>4.9%</b>	<b>\$760,250</b>	<b>2.8%</b>
<b>Fiduciary Fund</b>								
State Aid	\$0	0.0%		0.0%		0.0%		0.0%
Federal Aid	\$0	0.0%		0.0%		0.0%		0.0%
Other	\$0	0.0%	\$56,182	0.3%	\$69,723	0.3%	\$22,153	0.1%
<b>Total Fiduciary Fund</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$56,182</b>	<b>0.3%</b>	<b>\$69,723</b>	<b>0.3%</b>	<b>\$22,153</b>	<b>0.1%</b>
<b>Capital Projects</b>								
Other	\$30,000	0.1%	\$0	0.0%	\$0	0.0%		0.0%
<b>Total Capital Projects</b>	<b>\$30,000</b>	<b>0.1%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>

**Total Revenues (All Fund)    \$26,835,711    100%    \$19,972,943    100%    \$25,575,268    100%    \$27,162,961    100%**

Source: School district's 1997-98 CAFR

Most of the revenue for the general fund in each of the districts, excluding Collingswood, comes from local taxes. In Ocean City more than 57% of the general fund comes from local taxes. Ocean City, being a receiving district for grades 9-12, received \$6.8+ million, or 25.5% of its revenue, through payment of high school tuition from the sending districts: Upper Township, Corbin City, Sea Isle City.

The following table, (Table 2), illustrates data which compares general fund expenditures. It is also based on the district's Comprehensive Annual Financial Report (CAFR).

**Table 2**

<b>Comparison of General Fund Expenditures</b>								
	<u><b>Ocean City</b></u>		<u><b>Collingswood Boro.</b></u>		<u><b>Point Pleasant</b></u>		<u><b>West Deptford</b></u>	
Regular Program - Inst.	\$11,309,733	45.0%	\$6,750,999	34.9%	\$8,367,569	36.4%	\$9,623,368	38.2%
Special Education	\$1,355,246	5.4%	\$1,079,416	5.6%	\$1,363,346	5.9%	\$1,666,031	6.6%
Basic Skills-Remedial	\$0	0.0%	\$6,758	0.0%	\$265,704	1.2%	\$14,085	0.1%
Bilingual Education	\$5,902	0.0%	\$39,328	0.2%	\$61,347	0.3%	\$0	0.0%
Sponsored Cocurr. Activities	\$104,087	0.4%	\$494,602	2.6%	\$182,878	0.8%	\$177,034	0.7%
Sponsored Athletics	\$379,555	1.5%		0.0%	\$477,143	2.1%	\$365,869	1.5%
Other Instruction Prog.	\$2,872	0.0%		0.0%		0.0%		0.0%
Community Services Prog.		0.0%		0.0%		0.0%	\$5,358	0.0%
<b>Total Instructional Cost</b>	<b>\$13,157,394</b>	<b>52.4%</b>	<b>\$8,371,102</b>	<b>43.2%</b>	<b>\$10,717,987</b>	<b>46.6%</b>	<b>\$11,851,744</b>	<b>47.0%</b>
Undistributed Exp. - Ins.	\$1,154,839	4.6%	\$1,067,763	5.5%	\$1,030,461	4.5%	\$871,471	3.5%
General Administration	\$500,650	2.0%	\$488,628	2.5%	\$538,224	2.3%	\$610,631	2.4%
School Administration	\$864,573	3.4%	\$988,095	5.1%	\$1,226,063	5.3%	\$1,229,551	4.9%
<b>Total Admin. Cost</b>	<b>\$1,365,223</b>	<b>5.4%</b>	<b>\$1,476,724</b>	<b>7.6%</b>	<b>\$1,764,287</b>	<b>7.7%</b>	<b>\$1,840,182</b>	<b>7.3%</b>
Health Service	\$224,341	0.9%	\$170,628	0.9%	\$253,272	1.1%	\$263,148	1.0%
Attend.& Soc. Work Service	\$48,293	0.2%	\$20,380	0.1%	\$122,761	0.5%	\$58,239	0.2%
Other Support Service	\$1,620,820	6.5%	\$1,038,714	5.4%	\$1,324,836	5.8%	\$1,647,479	6.5%
Other - Imp. of Inst. Service	\$87,139	0.3%	\$216,517	1.1%	\$34,038	0.1%	\$190,017	0.8%
Media Serv./Sch. Library	\$481,985	1.9%	\$244,524	1.3%	\$265,708	1.2%	\$368,662	1.5%
Inst. Staff Training Service	\$6,847	0.0%	\$4,875	0.0%	\$160,669	0.7%		0.0%
Operation of Plant	\$1,824,629	7.3%	\$2,083,865	10.8%	\$2,087,205	9.1%	\$2,578,526	10.2%
Business & Other Sup. Ser.	\$2,897,554	11.5%	\$2,480,494	12.8%	\$2,756,736	12.0%	\$3,007,732	11.9%
<b>Total Support Services</b>	<b>\$7,191,608</b>	<b>28.6%</b>	<b>\$6,259,996</b>	<b>32.3%</b>	<b>\$7,005,225</b>	<b>30.5%</b>	<b>\$8,113,803</b>	<b>32.2%</b>
Transportation	\$730,473	2.9%	\$318,324	1.6%	\$751,833	3.3%	\$1,229,588	4.9%
Capital Outlay	\$189,150	0.8%	\$825,391	4.3%	\$621,935	2.7%	\$109,524	0.4%
Special Schools	\$15,413	0.1%	\$54,573	0.2%		0.0%		0.0%
<b>Total Gen. Fund Expend.</b>	<b>\$25,112,886</b>		<b>\$19,361,410</b>		<b>\$22,993,486</b>		<b>\$25,192,126</b>	
<b>Avg. Daily Enrollment</b>	<b>2,389</b>		<b>2,302</b>		<b>2,921</b>		<b>3,043</b>	

Actual Source: School district's 1997-98 CAFR and NJ Department of Education Comparative Spending Guide 1999.

Total instructional costs account for 52.4% of Ocean City's expenditures. This is relatively high compared to the other districts in the table above. At the same time the total administrative cost for Ocean City (5.4%) is lower than the compared districts. It should be noted that this data is somewhat misleading, due to the fact that eight supervisory positions are classified by the district as "teachers," and not "administrators," even though only about 25% of their time is spent teaching and 75% of their time is spent performing functions more commonly characterized as being administrative. These eight positions should be classified as two full-time equivalent (FTE) teachers and six FTE administrators instead of eight FTE teachers. The misclassification of these positions distorts data on tables presented in several areas; namely, regular program instruction costs, administrative costs, teacher/student, administrator/student and administrator/teacher ratios, and the breakdown by category of per pupil costs. (More specific reference is made to the eight supervisory positions in the administration section of this report.)



The following table, (Table 3), indicates the comparative per pupil costs for selected cost factors for the 1997-98 school year:

**Table 3**

	<u><b>Ocean City</b></u>	<u><b>Collingswood Boro.</b></u>	<u><b>Point Pleasant</b></u>	<u><b>West Deptford</b></u>
Total Cost Per Pupil **	\$9,861	\$7,550	\$7,064	\$7,583
Total Classroom Instruction	\$6,324	\$4,108	\$4,006	\$4,306
Classroom Salaries & Benefits	\$6,084	\$3,947	\$3,779	\$4,063
Classroom General Supplies & Textbooks	\$225	\$150	\$190	\$161
Classroom Purchased Services & Other	\$16	\$12	\$36	\$82
Total Support Services	\$1,154	\$752	\$787	\$905
Support Services Salaries & Benefits	\$1,046	\$629	\$711	\$808
Total Administrative Cost	\$801	\$979	\$901	\$860
Salaries & Benefits for Administration	\$616	\$834	\$736	\$694
Operations & Maintenance of Plant	\$810	\$1,002	\$720	\$921
Salaries & Benefits for Oper./Maint. of Plant	\$348	\$620	\$41	\$544
Food Service	--	\$33	--	\$6
Extracurricular Cost	\$225	\$243	\$257	\$196
Equipment	\$18	\$132	\$199	\$27
Student/Teacher Ratio	11.8	13.6	15.3	14.6
Median Teacher Salary	\$61,429	\$37,195	\$46,863	\$53,392
Student/Support Service Ratio	86.4	91.0	110.5	98.4
Median Support Service Salary	\$65,617	\$47,795	\$53,824	\$54,592
Student/Administrator Ratio	242.1	136.4	176.2	190.0
Median Administrator Salary	\$87,885	\$67,825	\$84,380	\$76,292
Faculty/Administrator Ratio	23.4	11.5	13.1	15.0
Personal Ser.-employee Benefits % of total salary	15.3%	18.4%	16.9%	15.7%

Source: NJDOE Comparative Spending Guide – 1999

\*\*The total cost per pupil is calculated as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include the local contribution to special revenue, tuition expenditures, interest payments on the lease purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded in this per pupil calculation, are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.

A comparison of Ocean City's per pupil costs with those of the comparable districts illustrates that, overall, Ocean City's costs are significantly higher than the other districts.

Based on the 1999 Comparative Spending Guide in which Ocean City is grouped with 85 K-12 districts with enrollments of 1,800 - 3,500 students, the following table, (Table 4), indicates Ocean City's rank in selected cost categories for the school years 1996-97, 1997-98 and 1998-99:

**Table 4**

	1996-97		1997-98		1998-99	
	Actual	Ranking	Actual	Ranking	Budget	Ranking
<b>Ranked Low Cost to High Cost</b>						
Cost Per Pupil	\$8,759	62	\$9,861	67	\$9,563	70
Classroom Instruction	\$6,014	<b>71</b>	\$6,324	<b>72</b>	\$6,345	<b>74</b>
Classroom Salaries & Benefits	\$5,736	<b>71</b>	\$6,084	<b>73</b>	\$6,118	<b>74</b>
General Supplies & Textbook	\$217	55	\$225	60	\$212	55
Purchased Services & Other	\$62	47	\$16	17	\$16	<b>10</b>
Support Services	\$853	58	\$1,154	68	\$1,316	<b>74</b>
Support Services Salaries & Benefits	\$811	60	\$1,046	69	\$1,181	<b>74</b>
Total Administrative Cost	\$793	<b>2</b>	\$801	<b>4</b>	\$873	<b>7</b>
Salaries & Benefits for Admin.	\$674	<b>4</b>	\$616	<b>5</b>	\$622	<b>4</b>
Operations & Maintenance	\$887	36	\$810	25	\$798	22
Salary & Benefits for Operation/Maintenance	\$329	<b>9</b>	\$348	14	\$345	15
Food Service	--	0	--	0	\$19	24
Extracurricular Cost	\$212	46	\$225	53	\$210	38
Median Teacher Salary			\$61,429	67	\$64,279	71
Median Support Service Salary			\$65,617	63	\$68,511	66
Median Administrator Salary			\$87,885	50	\$90,674	52

**Ranked High Ratio to Low**

Student/Administrator Ratio	242	<b>1</b>	216	<b>4</b>
Faculty/Administrator Ratio	23	<b>1</b>	21	<b>2</b>

NOTE: Ocean City was 1 of 75 districts ranked in the above fiscal years. Also note that the data for 1996-97 median salaries was not available.

As is shown in the chart above, Ocean City is ranked significantly high in the following cost categories: classroom instruction, classroom salaries and benefits, support services and support service salaries and benefits. The district is ranked significantly low in salaries and benefits for administrators, total administrative cost and purchased services. Again, some of this ranking is directly affected by the classification of supervisors as teachers, as is mentioned above.

Using the NJ School Report Cards, the Comprehensive Annual Financial Report (CAFR) and the NJDOE Spending Guide, the following table (Table 5) provides additional comparative data used in this report:

**Table 5**

<b><u>Description</u></b>	<b><u>Ocean City</u></b>	<b><u>Collingswood Boro.</u></b>	<b><u>Point Pleasant</u></b>	<b><u>West Deptford</u></b>
County	Cape May	Camden	Ocean	Gloucester
District Type	II	II	II	II
Grades	K – 12	K - 12	K - 12	K - 12
District Factor Group	DE	DE	DE	DE
Cert Employees	244	213	233	258
Other Employees	91	67	111	178
Total Employees	335	280	344	436
Square Miles	8	2.03	2.5	18
Number of Schools				
Elementary	1	5	2	3
Middle	1	1	1	1
High School	1	1	1	1
Total Schools	3	7	4	5
Average Daily Enrollment	2,389	2,302	2,921	3,043
Teacher/Student Ratio				
Pre-School	N/A	N/A	N/A	N/A
Kindergarten	N/A	N/A	N/A	N/A
Elementary	1:12	1:14.73	1:16.5 - 20.8	1:19
Middle School	1:11	1:11.25	1:14.1	1:12
High School	1:12	1:11.26	1:12.5	1:12
Administrative Personnel 1997-98				
Number of Administrators	10	16.8	16.8	16
Administrator per Students	1:242.1	1:136.4	1:174.7	1:191.5
Administrator/Faculty Ratio	1:23.4	1:11.5	1:13.1	1:15.1
Median Salary				
Faculty	\$62,146	\$38,795	\$46,963	\$53,392
Administrators	\$87,885	\$67,825	\$84,380	\$76,292
Median Years of Experience				
Faculty	20	12	18	19
Administrators	24	21	28	27
Scholastic Assessment Test Results				
Average Math Score 1997-98	508	499	501	529
Average Verbal Score 1997-98	506	500	508	523
Post-Graduation Plans				
4 year College/University	53%	36%	50%	44%
2 year College	25%	36%	28%	33%
Other College	1%	0%	1%	0%
Other Post-Secondary School	2%	6%	1%	6%
Military	0%	0%	0%	0%
Full-time employment	17%	7%	10%	15%
Unemployed	0%	0%	0%	0%
Other	0%	6%	11%	1%
Undecided	2%	9%	0%	1%
Instructional Time	5 hrs 53 min.	5 hrs 20 min	6 hrs	5 hrs 44 min
Student Mobility Rate	19.3%	22.0%	16.7%	10.6%
Dropout rate	3.2%	3.1%	0.1%	2.0%

Source: 1997-98 school report card, CAFR and 1999 NJ Department of Education Comparative Spending Guide

## **ADMINISTRATION**

### **Organization**

The Ocean City School System has the following certified central office district administrators:

- one superintendent of schools;
- one business administrator/board secretary;
- one director of special services; and
- one director of technology and curriculum.

Individual school administrative positions consist of:

- high school (grades 9-12, enrollment 1,229 students): one principal, two assistant principals and one director of guidance;
- intermediate school (grades 4-8, enrollment 668 students): one principal and one assistant principal; and
- primary school (grades K-3, enrollment 494 students): one principal.

All central office district administrators and the three building principals report directly to the superintendent.

The business administrator/board secretary has one secretary and supervises the business office, which consists of an assistant business administrator and two clerks (payroll and accounts payable). She also supervises the director of food service, the head custodian for each of the three schools, the district maintenance specialist, the district grounds specialist and the district courier.

The director of special programs has one secretary and supervises three child study teams. In addition to the Special Education Program, she is responsible for the ESL Program, the Gifted and Talented Program, Title 1/Basic Skills, Homebound Instruction, Speech Instruction, Non-public School Services, Affirmative Action, Section 504, and Chapters 192-93. She, also, does much of the grant writing for the district.

The director of technology and curriculum has one secretary and supervises one technician and one district AVA coordinator. His responsibilities include coordinating curriculum modification and revision, as well as, state testing and assessment; addressing issues involving computer technology, budget review and preparation as it relates to technology and curriculum; and coordinating distance learning via teleconferencing. He is in constant interaction with administrators, teachers and students in all three schools.

There are nine supervisors in the district. These are ten-month positions and, excluding the extension program supervisor, they work the same hours and days as district teachers. They each teach two periods per day, and are in charge of the following departments: business/technology, English, world language, physical education, mathematics, social studies, science and special education. These supervisors (for grades 9-12 only) provide some leadership in curriculum updates and revisions and program coordination. They do both formal and informal teacher

observations and evaluations in their respective departments. They prepare department budgets for their departments and have some testing responsibilities. Other activities include class coverage, when necessary, taking part in school policy development, handling inquiries over the phone or in person and maintaining specific computer data.

The LGBR, through its personnel interviews and other analytical techniques utilized, has determined that certain issues exist regarding eight department supervisors. Namely, supervisors of: business/technology, English, world language, physical education, mathematics, social studies, science and special education. Issues raised included:

- whether or not the eight positions are needed;
- whether these are administrative positions, as opposed to teaching positions;
- the cost-effectiveness of the positions;
- the fact that the positions are for grades 9-12 only, as opposed to K-12;
- whether they should be working the teachers' hours and the school calendar, as opposed to administrator work schedules; and
- whether their functions and responsibilities should be expanded.

#### **Recommendation:**

**The school board should consider dissolving the eight department supervisory positions and reorganizing the district's administrative staff. Following a survey of administrative structures in ten similar districts in the southern region of the state, the review team suggests the following organizational structure:**

- **one superintendent of schools;**
- **one business administrator/board secretary;**
- **one director of curriculum and technology (including staff development and grant writing coordination);**
- **one director of special education;**
- **one director of guidance (K-12 including testing and scheduling);**
- **one supervisor of operations (including facilities management, custodial, maintenance and grounds services, transportation and security);**
- **one supervisor of special programs (including entitlement programs, home instruction, gifted and talented programs, bilingual/ESL, affirmative action, Chapters 192-193 and Section 594);**
- **one supervisor of the extension program;**
- **four departmental supervisors (K-12, or at least grades 6-12 and familiarity with respective subject area curriculum at the lower levels);**
- **one high school principal;**
- **two assistant high school principals;**
- **one intermediate school principal;**
- **one assistant intermediate school principal; and**
- **one primary school principal.**

**This would result in two less positions and, assuming that supervisors were to return to teaching positions, the estimated savings would be the salaries and benefits of two teachers with minimal seniority. The estimated savings would be \$82,500.**

**Cost Savings: \$82,500**

## **TECHNOLOGY**

### **Technology and Computers**

Responsibility for the Ocean City School District's computers lies within the office of curriculum and technology. The director of this office is in charge of all educational technology and maintenance of the business office's technology. The network found within the district, which was built at low cost and has certain technological constraints, works very well for the school system, but there are several areas where modification of existing procedures could be beneficial to the district.

### **Business Office Computing**

The district currently uses a business office package for accounting and purchasing. Payroll is handled through a separate payroll service company. Two business office staff members have more than ten years experience each and perform the day to day operations, with minimal disruption. The current vendor for the accounting and purchasing computer system has a proposal for upgrading it to a PC based system at a cost of under \$20,000, plus equipment. Subsequent to this proposal, the board asked that the business administrator solicit for additional proposals for an accounting and purchasing system. The existing system is not as up to date as it should be and the business office processes suffer because of this. For example, purchase orders are still typed and entered manually into the system.

Training sessions have been offered to staff members of the district and they have been well attended. The district could make the training more readily available to staff by offering it after school. The review team strongly believes that resources should be offered to staff for training, but not at the expense of pupil contact time.

### **Educational Computing**

The district constructed a relatively inexpensive network through creative network solutions that were pushed to the edge of the design perimeters for the telephone lines to the schools. Several former student interns networked the schools. These former students continue to serve the district during breaks and vacations while attending college. Physical network limitations exist, predominantly in the intermediate school, and could best be addressed through a separate network and server at that school, which would add to the capacity of the overall network.

Security for the educational side of the network is very tight. Network security was once relatively lax and as a result the district had networking problems and unregistered software, for which the district could have been held liable. It was decided that the district should use security software that prevents a user from changing machine settings and from installing software without password clearance. Though not well received by all staff members, this has prevented a

number of computer related problems. Security is a real concern and users can, through simple incremental changes to a machine, render that machine inoperable. There is room for compromise between the current policy of the district and the complete freedom that some users would prefer. As long as the district owns the machine and is responsible for repairs, the district has the right of governance over all usage and application.

Two staff members are dedicated to repair and maintenance of computers and equipment for the district. They are responsible for approximately 400 computers with about 260 linked to the network. The scheduling and prioritization of repairs is done through the director's office. It was apparent during the review that having one employee at each of the three sites (the two staff members and the director), acting as a point of contact and solving routine problems, would foster better communication and provide a needed presence for each school site. The computer staff should also have dedicated hours at each location to further develop cooperation within the district and at each site.

Having a staff member (perhaps a support staff member) in each school, who is computer literate and could receive specific in-house training at no cost to the district, to handle the more routine problems and services, could further enhance the efforts of the district to provide needed technological assistance. Technology staff members would then have more time to spend on the more complex problems at each site. Also there would be less instructional time wasted due to waiting for assistance.

### **Library and Media Center Computing**

The district has on-line library catalogs and computers for student usage in all of the district's libraries. The team observed a good deal of student usage and was informed that the computer club is over subscribed. The libraries were not linked to either the city's collection or other collections within the county. The team feels that the students and the district could benefit from a more diversified collection access that other and larger collections could provide.

### **Photocopiers**

The Ocean City School System utilizes nine copiers to generate a majority of the copies needed throughout the district. It currently contracts with Xerox for these copiers. According to counts taken during the past school year, copies made by location were as follows:

<b>Location</b>	<b>Model</b>	<b>Total Copies</b>
High School	5100	2,123,808
	DC220	128,951
Intermediate School	5100	1,647,253
	DC220	77,709
Primary School	5100	1,287,411
	DC220	19,270
Special Services	DC220	75,599
Child Study Team	DC220	10,626
Board Office	5385	468,000
<b>Totals</b>		<b>5,838,627</b>

During the 1997-98 school year, excluding supplies, the district expended \$138,582 for copier and usage charges, and approximately \$136,374 during the 1998-99 school year.

During June of 1997, the State of New Jersey issued a Cost-per-Copy (CPC) contract, which is available to all political subdivisions. This contract allows users to pay for photocopies, not photocopiers. Currently, the district pays a monthly lease fee for its copiers. Under the contract, the vendor provides the user with the copier and all supplies and service needed, with the exception of paper and staples. The contract is broken into band segments covering Copies Per Minutes (CPMs) and guaranteed monthly minimums. Band segment one starts at 12 to 20 CPMs with a monthly minimum of 1,000 copies through band segment seven, which covers 81 to 90 CPMs with a monthly minimum of 45,000 copies.

While reviewing purchase order 99-1132 for copier model DC 220, it was noticed that state contract number 80853 was referred to as the contract number. Under this contract number, Xerox is contracted for copiers, which falls into band segment two, using a Xerox copier model #5334. After reviewing all purchase orders, none of the copiers used by the district, models DC220, 5385 or 5100, are under state contract.

Had the district used the contract in the correct band segments, it could have reduced its copier costs. Based on the number of copies made during the 1998-99 school year, the district costs would have been as follows:

<b>Location</b>	<b>Monthly Average</b>	<b>Current Model</b>	<b>Est. Annual Cost</b>	<b>Band Segment</b>	<b>Annual Cost*</b>	<b>Yearly Savings</b>
High School	212,381	5100	\$38,190	7	\$19,702	\$18,488
	12,895	DC220	\$2,339	3	\$2,070	\$269
Intermediate School	164,725	5100	\$35,616	7	\$15,461	\$20,155
	7,771	DC220	\$2,339	3	\$1,194	\$1,145
Primary School	128,741	5100	\$34,230	7	\$12,258	\$21,972
	1,927	DC220	\$2,339	1	\$478	\$1,861
Special Services	7,560	DC220	\$2,339	3	\$1,157	\$1,182
Child Study Team	1,063	DC220	\$2,339	1	\$284	\$2,055
Board Office	39,000	5385	\$16,643	6	\$4,230	\$12,413
Totals	576,063		\$136,374		\$56,834	\$79,540

\*Based on the district's monthly averages within the correct band segment.

As the chart shows, savings of approximately \$79,500 could have been achieved if the contract had been used correctly.



**Recommendation:**

**The district should use the state cost per copy contract, within the correct band segments.**

**Cost Savings: \$79,500**

**Communication and Telephones**

Based on the audit report, the district expended \$84,457 in 1996-97 and \$106,738 in 1997-98 for communication/telephone services (including postage). The cost for 1997-98 increased by 26% and is considered to be excessive.

Three cellular phones were issued to the superintendent, athletics department and Extension Program. These phones are reportedly to be used in emergency situations. The district expended \$544 in cellular calls for school year 1997-98. (This cost was incorrectly charged to the miscellaneous account.)

In reviewing the costs associated with the telephone service, the team looked at the reimbursement procedure for personal phone usage by employees. It was found that the board has set up no reimbursement procedure for personal usage. The phone in the teacher's lounge is limited to the local calling area.

An analysis of telephone expenses for the 1997-98 revealed that the district expended \$907 for directory assistance calls and \$37 for completed calls. Each directory assistance call costs the district \$.35 and completed calls cost another \$.30.

The district could request bids for toll and long distance calling services. There are three areas that may be bid upon:

Intralata:	Toll calls within area code
Intrastate:	Long distance calls within state, but outside of the area code
Interstate:	Out of state calls, but within the United States

**Recommendations:**

**The district should implement a policy for recouping money expended by employees making personal phone calls.**

**Calls for local directory assistance should be discontinued. Local telephone directories should be provided at all school phone locations. Calls for long distance directory assistance should be kept to a minimum. Savings of at least 50% of directory assistance calls should be achievable.**

**Cost Savings: \$475**

**The district should closely monitor the use of its cellular phones. It is, admittedly, a convenient resource, but it is also a costly one. Users of this equipment should be reminded of its intended use, and should not be allowed to use it unless absolutely necessary. Landline phones within the districts' buildings should be utilized in all non-emergency situations.**

## INSTRUCTION

### Special Education

The Ocean City Public School System presently has, in its Special Education (SE) Program, 445 classified students (including 66 students who are classified for Speech only). Excluding Speech, of the remaining 379 students, 324 are educated within the district (52 in self-contained classes, and the remaining 272 in resource rooms.) The other 61 SE students are sent out of the district to both public and private educational centers. The distribution of out-of-district classified students is as follows:

- 7 Ocean City students to private day schools;
- 33 Ocean City students to out-of-district public school districts;
- 1 Ocean City student to a department of education regional day school;
- 2 Ocean City students to department of human services day training centers;
- 4 Ocean City students are incarcerated; and
- 14 Upper Township and Sea Isle City students\*.

\* It should be noted that for the 14 students who are residents of Upper Township or Sea Isle City, their respective districts pay for their special education and determine their placements.

Child study teams and parents work together to determine whether or not special education students are to be sent out-of-district. Efforts are made to place students with disabilities in least restrictive environments according to their educational needs as determined by the IEP teams. Decisions to place in-or-out-of-district are determined by educational factors only.

### Cost-Per-Pupil for Out-of-District Special Education Students

School Type	Number of Students	Estimated Average Tuition per Pupil	Estimated Average Transportation Cost per Pupil	Estimated Average Total Cost per Pupil
PSH/CMCSSSD*	6	\$15,847	\$5,540	\$21,387
CMCSSSD**	22	\$17,979	\$5,540	\$23,519
ACSSSD***	1	\$28,123	\$5,540	\$33,663
ACSSSD	2	\$16,000	\$5,540	\$21,540
ACSSSD	2	\$22,030	\$5,540	\$27,570
Private	4	\$23,274	\$5,540	\$28,814
Private	2	\$22,900	\$5,540	\$28,440
Private	1	\$38,584	N/A	\$38,584

\* (Preschool, Cape May County Special Services School District)

\*\* (Cape May County Special Services School District)

\*\*\* (Atlantic County Special Services School District)

Based on this data provided by the school district, the average cost-per-pupil for out-of-district SE students is conservatively estimated at \$24,700; more specifically, \$23,560 for public school placements and \$30,100 for private school placements. The district's overall cost-per-pupil (pre-K through 12) as of June, 1998 was \$10,113. It should be noted that costs of special education programs are usually higher than non-special education programs. These increased costs result

from lower student/teacher ratios, the use of aides in the classroom, more sensitive and individually tailored curriculum, student Individual Education Plan (IEP) requirements and specialized staff requirements.

Efforts are being made at this time to provide as much in-district placement of SE students, in conformance with their IEP's, as is deemed feasible and cost-effective. Special education students are not sent out-of-district unless the district is unable to provide an appropriate level of education. Yearly assessments are made of the special education population and its needs. Also, a number of special education students are enrolled in the extension program described elsewhere in this report.

The Ocean City Public School District presently maintains five self-contained SE classes. They are distributed between two school sites and provide instruction for 52 SE students.

In an effort to help the district identify ways to control costs for self-contained special education classes, the review team compared the allowable classroom capacity per type of class with actual classroom capacity in the district. As shown in the table below, the review team found that there were eight possible special class openings in-district, if classes were to be filled to the maximum, which would require no additional hiring of teachers and/or aides. Other less restrictive placement alternatives with supplementary aides and services might be expanded within the district to meet the needs of the students placed outside the district.

#### **Ocean City Public Schools Self-Contained Classrooms**

<b>Class Type</b>	<b>School</b>	<b>Age Range</b>	<b>Aide</b>	<b># of Students</b>	<b>Class Capacity</b>	<b>Available Space</b>
CH/MH/SLD	Primary	6-10	yes	12	9-12	-
CH/MH/SLD	Primary	6-10	yes	12	9-12	-
PI/MH/SLD	Interm	10-15	yes	9	9-12	3
PI/MH/SLD	Interm	10-15	yes	9	9-12	3
PI/MH/SLD	Interm	10-15	yes	10	9-12	2

NOTE: Special Education Classifications are as follows:

CH - Communication Handicapped  
 MH - Multiple Handicapped  
 PI - Perceptually Impaired  
 SLD - Severely Learning Disabled

Note: Since the writing of this report, SE Classifications and class types have been changed as described in N.J.A.C. 6A:14-4.7 (b) 3.

The review team recognized differences in age grouping or other legitimate circumstances may preclude the district from filling every special education classroom to capacity or that special situations may exist as a result of evaluations completed by the Child Study Team (CST). The team also realized that "allowable capacity" means "maximum" number of students, not "recommended" number of students. The district may consider expanding less restrictive placement alternatives within the district that could meet the needs of SE students.

The transient rate in this school system is noticeably high, as compared to most other districts in the state. Many of the students entering the system each year are either classified or are found to have special needs which often lead to classification. Therefore, it is prudent to maintain some room for growth in the special education classes, where possible. In an average year, the number of incoming SE students is, for the most part, close to the number of SE students leaving the school system. Even though this transience does not pose significant additional costs to the district, the volume of work required of the CST is significantly affected. Though the caseloads remain pretty much the same, the composition of these loads is constantly changing.

An analysis was made of the available special education spaces in Ocean City, in terms of special education classification categories, and the ages of students in each category, to see how many students could potentially be returned from out-of-district private and public placements, and how many of the remaining spaces might be filled with students from other districts on a tuition paying basis.

The review team estimates that if two of the SE students presently attending one of the out-of-district schools could be returned to the intermediate school classes, it would still leave room for potential growth at that level.

#### **Recommendation:**

**The review team recommends that the district consider whether any out-of-district students might be candidates to return to in-district programs, with appropriate supplementary aides and services. If two out-of-district SE students were returned to the district, savings for the district would be the difference between the cost per out-of-district special education pupil (\$24,700) and regular total cost-per-pupil (\$10,113) x 2.**

**Cost Savings: \$29,174**

#### **Child Study Teams (CSTs)**

There are three child study teams (CSTs) in the Ocean City Public School System under the supervision of the Director of Special Services. Each team consists of a psychologist, a social worker\*, and a learning disabilities teacher-consultant. (\*Note: In Ocean City there are only two social workers.)

Child Study Team referral and classification statistics for the past three years are summarized in the following table:

#### **Referral & Classification Statistics**

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Referrals to CST's	40	52	78
Classifications	18	24	39
Re-evaluations	93	93	97
De-classifications	0	0	2

Pupil Assistance Committees (PACs) were developed to seek innovative and creative ways in which to educate and assist children with special needs in an effort to prevent future problems. A primary goal is to divert children from classification. The practice allows for identification of students who are having difficulty and referral of the students to the Pupil Assistance Committee (PAC) for development of an intervention plan.

**Recommendation:**

**The district should examine the general education curriculum and instructional resources available to the pupil assistance committees within general education in light of the increasing educational difficulties the students are presenting. In addition, the district should examine its referral practices and classification standards to ensure that students with educational difficulties are not inappropriately classified as eligible for special education.**

**Special Education Medicaid Initiative (SEMI)**

The SEMI program provides an opportunity for school districts to claim available federal funds to increase their revenues. This can be done by claiming Medicaid reimbursement for services being provided to eligible special education pupils. Ocean City may apply for claim reimbursement for evaluations, speech therapy, occupational therapy, physical therapy, psychological counseling, nursing services, individual health services and transportation.

The state has distributed over \$12 million in Medicaid reimbursements to participating districts. The Local Government Budget Review Team estimates that Ocean City may generate a minimum of \$10,000 to \$12,000 in Medicaid reimbursements annually. The district may claim, retroactively for up to one year, for services and evaluations already paid by the state.

The Department of Education, Office of Special Education Programs has been directed to forward another copy of the “LEA Assurances and Application for Certification” to the Ocean City School District. Upon completion of this application and with school board approval, the Department of Human Services will submit an application for a Medicaid provider enrollment. Technical assistance is available to the district for completing these documents and setting up the SEMI claims process within the school district.

**Recommendation:**

**The school board should approve the district’s participation in SEMI, obtain a Medicaid provider number, select a SEMI coordinator, and request technical assistance from the state to set up the program within the school district.**

**First Year Estimated Revenue Increase: \$18,000**  
**Annual Estimated Revenue Increase: \$11,000**

### **Basic Skills Program**

The Ocean City School System presently has a total of 190 students in its Basic Skills Improvement Program (BSIP) at the elementary level, 103 students in the primary school and 87 students in the intermediate school.

In the high school the High School Proficiency Test (HSPT) results are used to identify students with basic skills needs and instruction is provided as needed.

Multiple criteria are utilized to select students at the elementary level for this program. Included are student records, teacher recommendations, evaluation of students' sample work, the Terra Nova Tests for grades three and six and the Elementary Student Proficiency Assessments (ESPA's) for grade four.

Instruction at the elementary level is provided by both in-class support (inclusion) and pull out classes. The Reading Recovery Program is used at the primary level. At the intermediate level inclusion is used for language arts skill development and math skills are taught in "pull out" classes, each of which usually consists of ten or less students. Instructional time ranges from a minimum of 40 minutes per day to 80 minutes per day, depending on individual needs.

Currently, basic skills staffing consists of 5.6 FTE instructors at the primary level; three full-time reading recovery teachers and 2.6 regular basic skills instructors. At the intermediate level there are five FTE teachers providing instruction within the district and .5 FTE instructor addressing the needs of parochial school students. There is, also, one half-time aide for the Basic Skills Program.

The director of special services spends about 10% of her time administering this program and is assisted by one clerk whose time is also split between several special services programs.

The number of basic skills needs assessments has remained stable for the past few years and it should be noted that the relatively high mobility rate in this school system results in a number of students entering and leaving the program during the course of the year. In other words, the number of students **entering** the program is what determines the number of needs assessments to be performed.

Appropriations for 1999-00 have been reduced significantly from \$201,663 to \$140,038. Major reductions have been in teachers' salaries (\$57,566), textbooks (\$1,512) and other objects (\$2,365). This is due to an increase of approximately \$60,000 in funding from the Improving America's Schools Act (I.A.S.A.) also known as Title I.

### **English as a Second Language (ESL) Program**

The LEP (Limited English Proficiency) student population in the Ocean City School System is minimal and accounts for less than one tenth of one per cent of the total student population. Recently the district went from a total of less than 10 LEP students to a total of 16 LEP students. In doing so, this district has gone from an English Language Service (ELS) Program to an

English as a Second Language (ESL) Program. Actually, the number of students participating varies throughout the school year, due to a transient population and students testing out of the program.

Staffing consists of one FTE instructor, who travels to all three district schools, spending 40 to 80 minutes in the high school and an average of 30 minutes per student in the primary and intermediate schools, each day. For the most part, this is a pull out program which includes both individual and small group instruction.

### **Guidance**

The guidance program in Ocean City consists of a director and eight counselors. At the high school level the program is under the direction of the director of guidance who maintains a reduced caseload. The director also heads the school “Core Team,” which handles referrals for drug and/or alcohol related issues, behavioral issues, etc.

Aside from the director, staffing consists of five counselors with caseloads ranging from 260 to 280 students. (One counselor has a caseload of 220 students but, also, performs special attendance functions.) The NJ Department of Education’s Comprehensive Plan for Educational Improvement and Financing recommends a counselor-to-student ratio of 1:225 at the high school level. The guidance department also includes 1.5 clerical staff and one Student Assistance Counselor (SAC).

The primary responsibilities of the high school counselors include the following activities:

- assisting students with college searching and selection;
- providing individual counseling for specific issues;
- interacting with students’ parents;
- providing career counseling; and
- keeping records.

Record keeping activities include addressing scheduling related issues, producing high school profiles, preparing school report card data and school publications, maintaining the student database, coordinating student scholarships, monitoring standardized testing, maintaining and updating the school web site and coordinating the eighth grade orientation program.

Automation is adequate and all staff members at the high school are computer literate. Staff members receive “comp time” for night functions, as opposed to overtime pay.

The intermediate school has two guidance counselors and there is one counselor at the primary school. Caseloads at the intermediate school average about 335 students with a caseload of 525 at the primary level. State recommended caseload at the intermediate and primary levels are 1:338 and 1:500 respectively. These counselors, as well as the director of guidance at the high school, report to their respective building principals. Communication among the schools for guidance related issues, is basically informal.

The intermediate school counselors provide individual and small group counseling, as needed. The seventh grade students receive daily classroom instruction in guidance related issues; e.g., career awareness, conflict resolution, decision-making, peer pressure, self esteem, etc. The counselors are also involved with many parent conferences throughout the year. They take part in Pupil Assistance Committee (PAC) functions, and they provide input as needed for such things as student classifications, standardized test analysis, scheduling, etc.

At the primary level the guidance counselor provides individual and small group counseling, focusing primarily on family life issues. Student support groups, addressing specific subject matter or areas, also exist at this level. Other functions of this counselor include parental communication as needed, placement for new and transferring students, assisting with standardized testing, etc.

### **Suggestion:**

**It is suggested by the review team that the guidance department be made K-12, and that it be headed by the director of guidance. (This is presently a twelve-month administrative position.) There are a number of ways in which such an action could benefit the counselors, as well as, the students in this district. To mention a few:**

- **It would promote more coordination in such areas as district-wide standardized testing and scheduling, as well as selective program and specialized service offerings, where appropriate.**
- **It would make counselors at the different levels more aware and understanding of counseling services being provided at the other levels.**
- **It would give counselors from each of the schools an opportunity to interact and share ideas and perspectives in a more formal manner as they would be meeting together periodically and reporting to one director, in addition to the building principals.**
- **Through more open communication among the counselors at different levels, it would make elementary level counselors more knowledgeable in addressing the long term success/effectiveness of their various programs and services. (Perhaps specific services should be expanded or discontinued, modified and/or enhanced, etc.)**

**The director of guidance should also make efforts to promote more open communication with the guidance counselors in the sending districts, perhaps, inviting them to attend and participate in the Ocean City Guidance Department staff meetings.**

### **Athletics and Extra Curricular Activities**

The Ocean City School District spent 1.5% of its budget on school sponsored athletics for the 1997-98 school year, which is comparable to the three similar districts used for comparative purposes in this study. For school sponsored co-curricular activities the district spent only 0.4% of its budget; slightly less than the compared districts.



## **Athletics**

District athletics are supervised by one person, who spends 50% of his time as the athletic director and the other 50% of his time as a high school teacher. He is responsible for coordination of the programs, equipment, schedules, arranging transportation for away events, monitoring participation levels in various sports program and supervising coaches.

A high school teacher also functions part-time as the district's athletic trainer, for which he is paid a stipend. He spends 90 minutes each day performing these duties, as well as attending some athletic events.

Coaching positions include 55 coaches and 12 approved volunteers, who assist on an as-needed basis. About 87% of these coaching positions are held by staff members, with the rest held by adjunct coaches from out of the district. All must be at least county certified to substitute teach.

Using the state summary data in the NJEA Salaries and Salary Guides, average stipends for Ocean City's athletic activities do not appear to be significantly out of line with the state averages for the same general types of activities.

The district employs between four and six staff members for athletic events, the number depending upon spectator attendance for specific sports and events. These staff members perform such functions as timing, selling and/or collecting tickets, announcing, etc.

Security is provided by the Ocean City Police Department for crowd and traffic control at certain high school events. Six police officers are employed for football games, one or two for soccer and basketball games and one for wrestling matches.

The high school athletics program consists of 20 interscholastic sports made up of 38 teams. Most of the sports are broken down into varsity, junior varsity and freshman levels, as well as girls' teams and boys' teams, where appropriate.

High school participants in all sports for 1998-99 totaled 532. It should be noted that 532 is the total number of participants from all sports. Many of these students participate in two or three sports. The most accurate percentage of students participating in athletics is reflected during the fall season. The total number of students participating in a fall sport for 1998 was 290, which is 23.8% of the total high school enrollment.

The middle school program consists of ten sports. During the 1998-99 school year, about 160 students (24.1% of the student body) participated in one or more sports.

Transportation services are provided by the school district's transportation contractor and medical services are provided by the district's medical service contractor.

The Ocean City Booster Clubs conduct fundraising activities for the athletics program. Equipment purchased by these clubs includes video cameras, tapes, and a communication system valued at \$4,000. The booster clubs also sponsor several activities throughout the school year; e.g., banquets, and fundraising events for athletic scholarships.

The school athletics department and the municipal recreation department are very supportive of one another; particularly, in sharing resources and facilities and in the maintenance of athletic fields. Some of these facilities, fields, etc. are owned and maintained by the municipality and some by the school district. Through close cooperation, as well as precise coordination of facility usage, this sharing of resources has proven to be both cost effective for taxpayers and efficient for the participants.

It should be noted that in the athletics program, three sports (volleyball, lacrosse and cross-country) have been implemented in the district with no increase in the budget.

### **Extracurricular Activities**

Ocean City offers a wide array of extra curricular activities in both the high school and the middle school in such areas as student government, clubs, middle and high school bands/ensembles and chorus/choir. Stipends are paid to teachers willing to sponsor these activities. They range from about \$1,100 for stage director, newspaper advisor and forensics advisor to about \$2,900 for play director and yearbook advisor.

Using the state summary data in the NJEA Salaries and Salary Guides, average stipends for Ocean City's non-athletic activities do not appear to be significantly out of line with the state averages for the same general types of activities.

Overall, the district seems to be doing a fine job of containing costs associated with its athletics program and co-curricular activities, while maintaining an assortment of offerings for its students.

### **Health Services**

Each of Ocean City's three schools is staffed with one full-time certified school nurse, who reports to the building principal. The district also employs two aides, who happen to be registered nurses (RN's). One aide works in the high school and the other works half of each day in each of the other two schools. Student enrollment at each of the schools is as follows:

High School	Intermediate School	Primary School
1,200 to 1,225	675 to 700	525 to 550

A high school teacher also functions part-time as the district's athletic trainer, for which he is paid a stipend.

There are almost never any substitute nursing assignments. Between the nurses and the aides they are able to cover for each other, as needed. The nurses receive no clerical assistance. All three of the nurses' stations are automated or in the process of being automated. The computers are used for maintaining student health records, printing attendance referrals, general word processing and accessing databases, as needed. The nurses are not required to submit any reports on a regular basis, other than required state reports; e.g., immunizations, etc.

The nurses and aides perform typical health office functions, including physical examinations, screenings, administering medication to students, treating injured and ill children, making occasional classroom visits upon request to offer instruction and providing consultation services to health instructors. One administrative function consists of processing working papers for students. The nurse in the high school also interfaces with the high school's attendance officer for absence related issues.

The district is under contract with one physician for providing medical services. A flat annual rate of \$20,000 is paid to this physician. His responsibilities include performing athletic, new student and Child Study Team (CST) physicals; reviewing homebound education requests (for medical reasons), attending football games, providing workers' compensation reviews and providing general consultation, as needed.

Health services account for 0.9% of the district's budget. This is one of the two lowest percentages of the comparable districts used for this report. (See Comparison of General Fund Expenditures on page 7.)

## **BUSINESS OFFICE OPERATION**

### **General Administrative Costs**

A comparative review of the Ocean City, Collingswood, Point Pleasant and West Deptford Function 230 – Support Services General Administration Account for fiscal year 1997-98 was conducted. This account includes expenses associated with the board of education. Costs for fiscal year 1997-98, based on the 6/30/98 audit report were as follows:

	<b>Ocean City</b>	<b>Collingswood</b>	<b>Point Pleasant</b>	<b>West Deptford</b>
Salaries	190,304	178,360	213,997	246,898
Legal Services	28,147	151,400	21,078	57,452
Other Purchased Prof. Services	15,210	29,565	67,347	5,750
Purchased Technical Services				4,638
Communication/Telephone	106,738	54,754	124,281	135,222
Other Purchased Services	100,666	68,140	68,545	81,077
Supplies and Materials	3,435		9,001	3,793
Judgments Against the District	24,000			
Miscellaneous Expenditures	32,151	6,409	33,975	56,742
<b>Total General Admin. Cost</b>	<b>500,650</b>	<b>488,628</b>	<b>538,224</b>	<b>621,572</b>

A comparison of per pupil costs for general administration expenditures (function 230) for fiscal year 1997-98 for Ocean City and the comparative school districts revealed the following:

	Ocean City	Collingswood	Point Pleasant	West Deptford
Salaries	79.66	77.48	73.26	81.14
Legal Services	11.78	65.77	7.22	18.88
Other Purchased Prof. Services	6.37	12.84	23.06	11.75
Purchased Technical Services	0.00	0.00	0.00	1.52
Communication/Telephone	44.68	23.79	42.55	44.44
Other Purchased Services	42.14	29.60	23.47	26.64
Supplies and Materials	1.44	0.00	3.08	1.25
Judgments Against the District	10.05	0.00	0.00	0.00
Miscellaneous Expenditures	13.46	2.78	11.63	18.65
<b>Total General Admin. Cost</b>	<b>209.56</b>	<b>212.26</b>	<b>184.26</b>	<b>204.26</b>
 <b>Average Daily Enrollment</b>	 <b>2,389</b>	 <b>2,302</b>	 <b>2,921</b>	 <b>3,043</b>

An analysis of this data reflects that the per pupil, general administrative costs for Ocean City were \$210, as compared with \$212 for Collingswood, \$184 for Point Pleasant and \$204 for West Deptford School District. Ocean City's general administration costs were second highest among this group.

A detailed analysis for general administration costs was conducted, which included, auditor fees, legal fees, board member expenses and communication/telephone costs and this analysis is included in this report.

It should be noted that if the six FTE supervisors referred to in the comparative analysis section of this report (page 7) were to be counted as administrators instead of teachers, the administrative costs for this district would be significantly higher.

### **Surplus**

Surplus is the amount of money left over after current year revenues and expenditures and the amount held in reserve by a school district. Surplus funds are included in a district's budget in order to provide funds for emergencies and/or other unexpected expenditures which are beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA), effective December 20, 1996, reduced allowable surplus amounts from a maximum of 7.5% to a maximum of 6%. In accordance with N.J.S.A. 18A:7D-27.1, excess surplus that is over the allowable maximum is to be appropriated or returned to the taxpayers. The amount of surplus to leave in a budget can range from under 3% to 6% of the anticipated expenditures. The state does not stipulate the minimum amount of surplus a district should maintain. However, since revenues are not always received on a timely basis and expenditures may vary from month to month, the district must anticipate its cash flow throughout the year. Sound financial controls help in ensuring the development of accurate surplus estimates.

Trend analysis enables school boards to estimate surpluses more accurately. Over the past three years (1995-96 through 1997-98), local taxes have provided approximately 58% to 64% of the total revenue for the general fund, and 6% to 12% of the total revenue has come from the state. Tuition revenues provided approximately 29% of the total general fund revenue for each of the past three years. The following table illustrates the district's revenue distribution in the past three years for the general fund:

<b>General Fund</b>	<b>1995-96</b>		<b>1996-97</b>		<b>1997-98</b>	
	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>
Local Tax Levy	13,715,362	58.46%	14,344,137	63.60%	15,473,789	64.87%
Tuition	6,838,181	29.15%	6,446,267	28.58%	6,855,516	28.74%
Interest on Investments	54,568	0.23%	60,461	0.27%	33,003	0.14%
Miscellaneous	84,404	0.36%	72,646	0.32%	54,661	0.23%
State Aid*	1,620,227	11.80%	1,629,408	7.22%	1,437,268	6.03%
Federal	-	0.00%	-	0.00%	-	0.00%
Total Revenue	22,312,742	100.00%	22,552,920	100.00%	23,854,237	100.00%

\*Excluded Pension and Social Security Contributions.

Over this time period, the amount of all revenue anticipated was what was actually received, except for interest on investments and miscellaneous income. Over the past three years, overestimates in these have ranged from a high of \$178,977, or 55.16% of the budgeted amount in the 1995-96 school year to a low of \$87,336, or 50% in 1997-98. The average overestimate for this period was \$142,970, or 53.75%. The review team believes that the district should be able to arrive at more accurate estimates of other revenue.

Approximately 66% (1997-98) of Ocean City's expenses are for salaries, except during contract renewal years. The district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries; however, the salary estimate will usually be higher than actual expenditure as a result of resignations, retirements, etc. which may occur after the budget has been adopted. The other 34% of the budget is more variable, although budget projections can be determined through the use of multiyear contracts and purchase agreements.

The following table illustrates the district's change of its budget and actual revenues, expenditures, and surplus for school years 1995-96, 1996-97 and 1997-98.

	1995-96			1996-97			1997-98		
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%
Local Tax Levy	13,715,362	13,715,362	-	14,344,137	14,344,137	-	15,473,789	15,473,789	-
Other Revenue	309,949	138,972	55.16%	303,705	33,108	56.17%	175,000	87,664	49.91%
Tuition	6,838,180	6,838,181	0.00%	6,438,097	6,446,267	0.13%	6,855,503	6,855,516	0.00%
State Aid	1,620,227	1,620,227	0.00%	1,629,408	1,629,408	0.00%	1,437,268	1,437,268	0.00%
Federal			0.00%						
Total Revenue	22,483,718	22,312,743	0.76%	22,715,347	22,552,920	0.72%	23,941,560	23,854,237	0.36%
Total Expenditures	23,047,678	22,549,527	2.16%	3,343,340	23,456,613	0.49%	23,943,683	23,804,100	0.59%
Over (Under) Expenditures	(563,960)	(236,784)	58.01%	(627,993)	(903,693)	43.90%	(2,123)	50,137	2462.14%
Other Finance Source	4,209	4,209	0.00%	-	505,846	0.00%	-	30,000	(30,000)
Surplus or (Deficit)	(559,751)	(232,575)	58.45%	(627,993)	(397,847)	36.65%	(2,123)	80,137	3875.56%
Beg. Fund Bal.	563,136	563,136	-	330,561	330,561	-	(67,286)	(67,286)	0.00%
Ending Fund Bal.	3,385	30,561	9665.46%	(297,432)	(67,286)	77.38%	(69,409)	12,850	118.51%
Fund Bal./T. Exp.	0.015%	1.466%		1.274%	0.287%		0.290%	0.054%	

In 1995-96, to fund \$22.5 million in expenses, the board appropriated \$559,751 from a \$563,136 surplus balance, leaving a projected surplus of \$3,385 (.015%). According to the CAFR, the district under spent the expenses by \$232,575, which generated a surplus of \$330,561. Therefore, the district's projected surplus of .015% became a surplus of 1.46%. For the 1996-97 budget, the board appropriated \$627,993 from \$330,561 surplus and intended to leave a deficit of -\$297,432 or (-1.27%). The board actualized a deficit of \$67,286 or .29%. During the 1997-98 budget, the board estimated a \$69,409 (.29%) deficit, but instead actualized a \$12,850 or .054% surplus. Therefore, the actual surplus fund declined from \$563,136 in 1996 to \$12,850 in 1998.

### **Recommendation:**

**The district should develop better methods for arriving at more accurate estimates of the annual budget expenditures and surplus balances. The district should develop a plan to determine how much of a surplus balance should be maintained for cash flow considerations, unanticipated expenditures, emergency building repairs, etc. The district should not deplete its surplus balance to such a level that would jeopardize its financial security.**

### **Cash Management**

The team reviewed the checking and savings accounts to identify ways the district could improve its interest income and reduce the costs associated with reconciling and maintaining its banking accounts. During 1997-98, the district maintained 12 checking accounts (including three student activity accounts) in three local banks.

A review was conducted of the amount of interest earned by the district in its warrant accounts. Funds included in the warrant accounts are the general fund, capital project and debt service. The average monthly balances in 1997-98 ranged from \$535,043 to \$1,481,589. The district received interest income of more than \$45,000 in the warrant accounts.

The Ocean City School System has an on line system call Global Treasury Manager, which is connected with the bank that the district does most of its business with. The Global Treasury Manager system allows the district to have access to its account activities, bank reports, e-mail, stop payments, etc. The district also uses this system to view and control the cash flow on a daily basis. The district pays no fees for this system.

The district does not pay the full service fee to the bank. Instead, the bank lowers the interest rate it applies to the district's average daily balances. The bank uses the federal rate to set base interest rates. The bank then reduces this rate to a level where the difference in interest paid versus the federal rate equals the cost of the services provided by the bank. The reduced rate is usually about one-half of a percentage point below the federal rate. The bank bases its rate on the actual costs of the services provided in the prior year. The district has been earning a net interest income of between 4.5% to 4.95% in the major accounts.

The district invests a significant portion of its balance into Certificates of Deposits or the New Jersey Cash Management Fund (NJCMF) to earn higher interest. NJCMF is a conservative investment fund utilized by the state. For comparative purposes, the team evaluated interest paid to the district from its bank against interest rates that would have been paid by the New Jersey Cash Management fund. It was observed that the district's rate was slightly below (.53%) the rate paid by NJCMF. However, NJCMF does not provide the services that the bank provides for the district; e.g., check printing and processing. In view of the costs of these services, the district receives an excellent rate from the bank.

Overall, the team found that the district follows an aggressive investment strategy and its financial management system policies and procedures are working well.

### **Recommendation:**

**The district should periodically review this program with area bank offerings, in order to maintain optimal investment opportunities. The district should also look at optional lawful investments permitted in P.L. 1997, Chapter 148, as amended.**

### **Grants Management**

A majority of the grants awarded to this district are non-competitive entitlements, which are provided by the state and federal governments. While these grants are used to their fullest, there is a wealth of competitive grants available to districts that are willing to pursue them.

Competitive grant writing can be a challenging, time consuming and tedious task. The district should consider alternatives to its current competitive grant writing practices. Several options exist, including:

- Hire a grant writer. (The contract could include a fee based on a percentage of the funds awarded. With this form of payment the district would not incur a large payment unless the grant was awarded. This would also provide incentive for the writer to be productive.)

- Keep this function as one of the responsibilities of an existing school administrator. (See the administration section of this report.)
- Contract out for this service.
- Institute a Grant Merit Incentive Program whereby any employee who, through his or her own initiative, obtains a competitive grant or combination of competitive grants could be entitled to apply for a merit stipend. Specific guidelines could be set by the school board.

It should be noted that the NJ Department of Education maintains a web site, which provides information on Federal and State sub-grants, Entitlements and Discretionary grants. This site is located at [www.state.nj.us/njded/grants](http://www.state.nj.us/njded/grants).

### **Recommendation:**

**The district should consider the above options for grant writing and utilize the Department of Education's grant web site to maximize its potential grant income.**

### **Purchasing**

The purchasing operation is a function of the business office and is performed by a staff person, who handles about 3,000 purchase orders per year. The district uses the Computer Solution System for purchasing. Purchasing is initiated, primarily, from each school and controlled by the business office. Steps in the purchasing process are as follows:

1. Staff members initiate an informal requisition, when needed. If approved by the principal, it is forwarded to the finance committee for approval. This committee consists of the business administrator, superintendent and one board member.
2. The business administrator verifies that the proper account number is on the purchase order; that there are sufficient funds in the account; that all necessary data is included; and that purchasing procedures are followed. Purchasing procedures were established relative to pricing, the use of state contracts when available, and obtaining quotations or bids on the cost of each item.
3. The business administrator approves and signs the purchase orders and forwards them to the other two finance committee members for approval.
4. The business office then assigns the purchase order a number, encumbers the funds, keys the data into the computer, and sends the purchase order to the vendor with copies to the requesters. The requesters receive a receiving copy, which is later used to verify delivery. A copy is sent to the vendor and two copies are kept in the business office.
5. When the requester receives the purchased item, a receiving copy of the purchase order is sent to the accounts payable clerk for payment.



6. The accounts payable clerk matches the receiving copy with a business office copy and creates a bill list for board approval.

Many school districts find that they can purchase items in larger quantities at lower prices than smaller quantities of the same items. They achieve such savings through extensive involvement in cooperative purchasing efforts with other organizations. Ocean City is engaged in cooperative purchasing with Pittsgrove Township for copy papers, natural gas and smaller supplies. Cape May County offers transportation for special education which Ocean City subscribes to through co-operative purchasing. Bids are also prepared annually by the district for computer equipment, athletic supplies, medical supplies, fine arts, electrical supplies, landscaping equipment, etc. The district also utilizes a combination of state contracts and vendor quotes to ensure that it receives the best price for the stated quality.

**The district is to be commended for these actions and encouraged to continue to pursue these efforts to save taxpayers' dollars through cooperative purchasing.**

## **SERVICE CONTRACTS**

### **Legal Fees**

The Ocean City School District has utilized the legal services of the same attorney for many years and is very satisfied with these services. The board chooses not to seek proposals from others for the services. The board appoints the attorney each year through resolution. The district paid the attorney an annual retainer fee of \$35,000 in school year 1997-98. Part of the retainer fee (\$14,036) was paid through the payroll system, thereby qualifying the attorney for pension. Part of the retainer fee (\$20,964) was paid through the voucher system. The district has a contract with the board attorney which outlines the duties to be performed and the services covered by the retainer fee. The board attorney was compensated \$90 per hour for services not outlined in the contract.

In addition to the board attorney, the board paid fees to other law firms to handle specified other services, such as a charter application. These firms charged the district \$90 per hour for their services.

An analysis of the district's legal expenses for 1996-97 revealed expenditures totaling \$40,416. For 1997-98 the board expended a total of \$42,173, which included the partial retainer fee of \$14,036 paid through the payroll system.

### **Recommendation:**

**Since the attorney is not an employee of the school district, the team feels it is not appropriate to pay his retainer fees through the district's payroll. The district has to pay a portion of his payroll tax (\$1,074) on an employer and employee relationship. The team recommends that retainer fees be paid through the voucher system rather than the payroll system.**

**Cost Savings: \$1,074**

### **Auditor Fees**

An auditor fee is included as part of the general administration cost, recorded in the other purchased professional services category. The district has utilized the services of the same auditor for many years. The auditor was appointed by the board with a written contract listing all the costs and services provided to the district. The audit service includes the statutory audit and the preparation of the Comprehensive Annual Financial Report (CAFR). The district expended \$15,300 in 1997-98 for audit fees. There was no indication that the district has ever prepared Requests for Proposals (RFPs) to seek competitive proposals from other auditing firms.

The review team conducted a comparative review of auditor fees charged to the Point Pleasant, West Deptford, Egg Harbor, Monroe and Lacey school districts. The Ocean City Board of Education is paying the average rate for auditing services. Basic rates for auditing services for the comparative school districts for 1997-98 are shown below.

<b>Ocean City</b>	<b>Point Pleasant</b>	<b>West Deptford</b>	<b>Egg Harbor</b>	<b>Monroe</b>	<b>Lacey</b>
\$15,300	\$12,500	\$33,300	\$16,500	\$14,700	\$17,000

### **Recommendation:**

**The district should seek Requests for Proposals (RFP's) to assure that it pays competitive audit fees.**

## **INSURANCE**

### **Health Insurance**

Ocean City's health insurance had a 19% increase in premium over the past year. The total projected cost for the health care plan for 1999-00 is estimated to be \$2,241,000 for 322 employees. A comparison to the State Health Benefits Plan (SHBP) revealed that the district could save an estimated \$450,000 by switching back to the state plan. The plan design found in the district actually contributes to excessive employee use of healthcare by having no co-payments for office visits or emergency room occurrences. Plan design changes need to be employed to bring the plan's costs in line with the SHBP.

The review team met with the broker several times on this. It may not be possible to bring the costs in line with the SHBP through plan design changes. Teacher contracts include language which specifies that any replacement plan has to be equal to or better than the current plan. Since the costs rose more than 10% in one year, there is a provision that the district could reopen negotiations. It is recommended that the district reopen contract negotiations and return to the SHBP.

If the district cannot negotiate with its membership a return to the SHBP, changes can be made in its current plan design that could result in a reduction of benefit costs. According to the broker, if out of network medical surgery were charged a coinsurance rate of 20%, the district could save about 10% of the \$1,396,000 premium for its hybrid traditional plan, or \$140,000. Doctors office visits are higher than average according to the broker. If the district were to increase the

co-pay from \$0 to \$10 for office visits, the district could save about \$23,000 in co-payments and see a reduction of usage, saving an additional \$26,000. A change in out of network co-payments from 80%/20% to 70%/30%, coupled with a requirement for pre-admission certification, would result in saving an additional \$56,000. Changing the deductibles and the co-insurance limits for the plan would result in savings of about \$68,000. All of these savings total \$313,000 and do not equate to the savings to be realized by switching back to the SHBP.

**Recommendations:**

**The district should reopen negotiations and switch back to the SHBP.**

**Potential Cost Savings: \$450,000**

**If the district is unable to switch to the SHBP through the negotiation process, the district should negotiate the above plan design changes in order to reduce the overall costs of the health care plan.**

**Potential Cost Savings: \$313,000**

The district has the ability to negotiate for other than single coverage premium co-payments. If the district returns to the SHBP, a 20% premium share provision for other than single coverage could result in savings of \$171,000. The same co-pay in the current plan would result in savings of \$235,000.

**Recommendation:**

**Negotiate a 20% other than single premium co-pay.**

**Potential Cost Savings: \$171,000 - \$235,000**

**Property and Casualty Insurance**

This district belongs to a regional joint insurance fund and has a local insurance agent who represents the district as risk manager for 7% or \$16,000 per year for the 1997-98 school year and \$16,846 for 1998-99 and projected for 1999-00. The district has had level assessments for the past two years as a reward for a better than average experience when compared to the other funds participants. It could be said that this district suffers from “a big fish in a small pond” syndrome. Ocean City is one of the larger districts in the JIF and has better than average claims history. Actually, the district subsidizes other districts under the current funding and renewal formulas.

Ocean City decided to compare rates with other JIFs and insurance mechanisms. The broker/risk manager solicited bids and found viable alternatives to the current situation. The district could save over \$50,000 on its workers’ compensation costs by switching funds due to different pricing methodologies.

## Recommendations:

The district should consider entering into a risk management contract with its broker for a flat fee and delineate within the contract what is to be expected from the risk manager in terms of services provided.

The district should switch insurance funds for workers' compensation. The district should also re-price other forms of insurance and place their coverage accordingly.

**Cost Savings: \$50,000+**

## FACILITIES & OPERATIONS

### Overview

The Ocean City School System instructional facilities consist of approximately 300,000 square feet of space in three facilities. The general observed condition of the facilities is good to excellent, given the age and wear and tear on the buildings.

School Facility Profile			
	Type	Enrollment (Oct 98)	Square footage
Elementary	K – 3	493	52,000
Middle	4 – 8	663	96,000
High School	9 – 12	1,219	152,000
<b>Total</b>		<b>2,375</b>	<b>300,000</b>

### Custodial Staffing

As part of the review process, to identify potential cost savings within the district, the review team identified custodial staffing needs using an objective, quantitative, multi-step process based upon the size and use of each facility. The process calls for:

- Reviewing any existing district work and time standards for the various cleaning tasks within each school facility.
- Reviewing the custodial labor contracts to determine the number of man-hours within a negotiated workday and then reducing the workday by an inefficiency/rest allowance factor of 25%.
- Obtaining floor plans of the facilities and inserting task data into the following matrix adopted from “The Custodial Staffing Guidelines for Educational Facilities” published by The Association of Higher Education Facilities Officers and “Good School Maintenance” published by Illinois Association of School Boards to determine total cleaning time for each facility:

<b>Typical School Areas</b>	<b>Average Size Sq. Ft.</b>	<b>Cleaning Time in Minutes</b>
Cafeteria	10,000	150
Classrooms	1,200	15
Corridors	1,000	5
Entrances	112	5
Gymnasiums	10,000	45
Laboratories	324	20
Library/Music	15,000	30
Locker Rooms	1,960	25
Offices	1,200	8
Offices With Carpet	1,200	12
Restrooms	150	20
Shops/Art/Home Ec	1,200	30
Stairways		8
Teacher's Lounges/Café	1,200	20
Auditorium	10,000	150
Multipurpose/Gym/Café	10,000	210
Multipurpose	2,400	40

NOTE: The average time standard can be adjusted to reflect actual sq. ft. proportional to the standard sq. ft. for an activity.

- Dividing this total of minutes by the total man-hour minutes available (after adjusting by the inefficiency factor). The result is the headcount needed to clean the facility.
- Comparing actual and computed employee counts to determine if any staffing adjustments can be recommended.

The review team completed the above analysis for each of the Ocean City schools to determine the appropriate custodial staffing required to perform night cleaning, in addition to establishing daytime requirements for basic (statutory) boiler maintenance and porter services.

During the period of review, the Ocean City schools had three head custodians, who supervise the custodial staff, provide porter services and perform minor repairs, three custodians who provide daily porter services and 16 custodians doing night (or split-shift) cleaning of the schools.

	<b>Head Custodian</b>	<b>Custodian/Porter</b>	<b>Custodian/Cleaning</b>
Primary	1	1	3
Intermediate	1	1	5
High School	1	1	8
<b>Total</b>	<b>3</b>	<b>3</b>	<b>16</b>

As a result of the review team's analysis, it was determined that cleaning could be maintained at an acceptable standard while reducing the head-count by four custodians as indicated below, one in the intermediate school and three in the high school:

	<b>Head Custodian</b>	<b>Custodian/Porter</b>	<b>Custodian/Cleaning</b>
Primary	1	1	3
Intermediate	1	1	4
High School	1	1	5
<b>Total</b>	<b>3</b>	<b>3</b>	<b>12</b>

However, the review team is recommending that two of these school based positions be converted to district “floaters” to help address the high cost of overtime. (See **Custodial Salaries** for additional recommendations and savings.) For the purpose of estimating savings, the annual average salary per custodian, including benefits, is \$29,000 (\$23,000 in salary plus an extremely conservative estimate of twenty five percent for benefits).

### **Recommendation:**

**Reduce school assigned custodial staffing by four custodians, one in the intermediate school and three in the high school. Assign two custodians as district floaters to handle emergencies and scheduled absences. Savings are based upon a net decrease of two custodians at the district average salary including benefits.**

**Cost Savings: \$58,000**

**Note:** Currently, there are three custodians who average 29.5 years of service, and whose average salaries of \$46,000 (\$58,000 with benefits) are double the average custodial salary. If an inducement for early retirement was realized, the **annual savings** identified above would **increase** from \$58,000 to **\$145,000** (eliminating the three \$58,000 salaries and replacing them with one \$29,000 salary).

### **Cost of Operations**

The review process for identifying potential cost savings within school districts’ Comprehensive Annual Financial Reports (CAFR’s) consists of the following:

1. Performing a square footage analysis for the district and comparing the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review teams. (For regional benchmarking, the review team utilizes the *American School and University (ASU)*, a national publication for facilities, purchasing and business administration. The *ASU* performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost to operate schools (including payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies etc.) on a regional level. (Region 2 includes New York and New Jersey.)
2. Identifying and investigating budget lines and accounts that appear to be high in relationship to regional benchmarks and/or other districts.
3. Providing additional recommendations based upon “best practices” (programs and/or efficiencies identified in other school districts or municipalities that may be applicable in Ocean City).

The following table summarizes the Ocean City School District's cleaning, maintenance, grounds and utility costs per square foot for the 1997-98 school year.

Category	Expense (\$)	Expense (\$) SF	Expense (\$) SF
	Ocean City	Ocean City	OCT 97 ASU
<b>CLEANING</b>			
Salaries	642,098	2.14	1.81
Supplies	82,561	0.28	
<b>Subtotal - Cleaning</b>	<b>724,659</b>	<b>2.42</b>	<b>1.81</b>
<b>MAINTENANCE</b>			
Salaries	44,617	0.15	0.52
Supplies		-	0.27
Contracts	494,508	1.65	0.35
Misc.	1,554	0.01	
<b>Subtotal - Maintenance</b>	<b>540,679</b>	<b>1.81</b>	<b>1.14</b>
<b>Total Cleaning and maintenance</b>	<b>1,265,338</b>	<b>4.23</b>	<b>2.95</b>
<b>GROUND</b>			
Salaries	35,534	0.12	0.27
Supplies		-	0.08
Contracts		-	
<b>Subtotal- Grounds</b>	<b>35,534</b>	<b>0.12</b>	<b>0.35</b>
<b>UTILITIES</b>			
Natural Gas		-	0.40
Electric	435,989	1.45	0.70
Water/Sewer	60,614	0.20	0.18
Other Fuel		-	0.27
<b>Subtotal- Utilities</b>	<b>496,603</b>	<b>1.66</b>	<b>1.55</b>
<b>Total Grounds and Utilities</b>	<b>532,137</b>	<b>1.77</b>	<b>1.90</b>
<b>TOTAL Maintenance and operations</b>	<b>1,797,475</b>	<b>6.00</b>	<b>4.85</b>
<b>INSURANCE</b>	<b>27,154</b>	<b>0.09</b>	<b>0.13</b>
<b>GRAND TOTAL</b>	<b>1,824,629</b>	<b>6.09</b>	<b>4.98</b>

The budget lines that appear high in relationship to the benchmarks are highlighted in gray and include custodial salaries, maintenance contracts and utilities. Therefore, a more comprehensive analysis was performed on each.

### Custodial Salaries

The district's custodial salaries, on a square footage basis, are high due to overstaffing and higher than average salaries for long-termed custodial personnel (as identified earlier in this review), and overtime costs which were approximately \$65,000 for the 1997-98 school year. The balance of this section will deal with the issue of overtime only.

While the district is aware of overtime expenses, it needs to begin to identify overtime by cause and allocate overtime dollars at the appropriate cost center. For example, in Ocean City, if a custodian "calls in" sick or has a scheduled absence, another custodian in that school works three hours of overtime (on a rotating basis). This practice should be discontinued. As indicated earlier in this report, the district should establish two "floaters" that could be assigned to replace

custodians who are absent on a given day. In addition, minimal (health and safety) tasks should be identified for every custodian's area of responsibility in the event that the floaters have to cover multiple absences on a given day.

Currently, all overtime is budgeted at the school level. Each school should have a budget line for school based activities that **may** require additional custodial support and the principal(s) need to be held accountable for those expenditures. For example, if on average, 20 hours of district overtime were required per week, for every week that school is open, at the average overtime rate of \$18 per hour, approximately \$13,000 would have to be allocated to school based overtime.

Overtime for facility emergencies (after hour emergencies or weather-generated needs) should be budgeted centrally and subject to the approval of the school business administrator or her/his representative. If 15 hours of facility emergencies were required per week, for every week of the year, approximately \$15,000 would have to be allocated to facility emergency overtime.

If 10 hours per week for every week that school is in session were required to support athletic events, approximately \$7,000 should be allocated to the athletic department for overtime.

Using this approach, a realistic estimate of overtime could be developed by cost center and monitored monthly for account balances. *Each cost center manager would be held accountable for the management of his or her overtime expenditures.* Using the criteria developed above, the review team finds that the district could estimate legitimate overtime needs at \$35,000 per year, realizing a potential savings of \$30,000 over 1997-98 expenditures. However, these savings may not be possible during the first year of implementation of an overtime management plan. Another critical component of overtime management is the ability to schedule and manage work. This requires the implementation of a work order process and is addressed later in this review.

### **Recommendation:**

**Develop and implement an overtime management plan. In conjunction with establishing custodial "floaters" to address absenteeism, cost centers need to be provided with a realistic budget estimate for legitimate overtime needs, and be held accountable for controlling and monitoring expenditures. Adjustments should be made annually, based upon historic spending patterns. (Also, see recommendations for a district work order system.)**

**Cost Savings: \$30,000**

### **Maintenance Contracts**

A detailed analysis of the maintenance accounts indicates that the district's maintenance operation is performing efficiently. The district has one maintenance staff member to do small and emergency repairs and contract administration. The per square foot maintenance cost was higher than benchmark data due to the district reporting non-facility expenses in the CAFR Operation and Maintenance of Plant Services, Maintenance Services account (\$150,000 for copier maintenance).



## **Utilities**

The district's natural gas and electric expenses are approximately \$.35 per square foot higher than regional benchmarks (\$1.45 versus \$1.10 per square foot). The review team initiated an independent review of these expenditures and a report of findings will be forwarded under separate cover.

## **Work Order System**

The district does not maintain an effective work order system to track, schedule, assign, and plan facility related work. In smaller districts such as Ocean City, a work order process can easily integrate the requirements of cleaning, maintenance (both contracted and in-house) and grounds with the scheduling and use of facilities, which will help control the use of overtime. The planning and scheduling of work will also allow the district to reduce supply cost (\$82,561 in 1997-98) by up to ten percent. It can also provide regular reports to school principals on the status (and prioritization) of open work orders.

The district could either purchase or internally develop a simple computerized work order system to meet these goals. The district could develop an internal system in *Microsoft Access* with associated training for district staff.

## **Recommendations:**

**Implement a PC based work order process for the planning and scheduling of work and coordination of school usage. Improved efficiency should reduce the dependence on overtime to support after school activities and unscheduled work (see custodial salaries recommendation) as well as reduce material cost by ten percent.**

**Cost Savings: \$8,000**

**In addition, for improved efficiency, the review team also recommends that the district utilize a radio/telephone system so the head custodian at each school can have real time contact with maintenance, grounds and the school business administrator. It is estimated that basic system equipment could be purchased for \$3,000.**

**One-time Value Added Expense: \$3,000**

## **TRANSPORTATION**

In Ocean City, all of the district's transportation needs are met through contracts with a private vendor and county consortiums. The district's transportation services are administered by the primary school principal.

During the 1997-98 school year, the district provided transportation for approximately 1,166 students on a daily basis. The district contracts for 24 routes with a private vendor to address its in-district transportation needs. The district also contracts, through the county consortium, eight out-of-district routes for special education and five routes for private school students. Based on

DOE standards, bus utilization is .737 or rank percentile of 44. A breakout of the students transported is approximately 384 in-district public school students, 187 private school students, 69 special education students and 526 courtesy bused students.

A review of the 1997-98 Comprehensive Annual Financial Report shows that the district budgeted \$730,923, spent \$730,473 and received \$94,321 in state aid. Contracted services between school and home totaled \$338,031; transportation for special education students totaled \$262,551 and sports and co-curricular activities totaled \$64,647. For the school year 1997-98 the district's aide in lieu of payments were \$8,598. Under N.J.S.A. 18A:39-1, the district is required to provide transportation or to make payments to parents/guardians for students attending non-public schools. The maximum amount, which is set by the State Legislature, was \$675 per student for 1997-98.

The overall average cost of transporting each student to and from school, during the 1997-98 school year, according to data provided by the district, was \$626 per student. This cost is well above the American School & University (AS&U) average of \$471.90 per student for region two (NY/NJ). A review of the two major components of transportation costs, public/non-public and special education, shows a vast difference between the student/cost ratio. Currently, the district transports 1,096 public/non-public school students: 93% of its transported student population, at a cost of \$372,521. This equates to an average of \$340 per student. Special education transportation, by its nature, is more costly. Typically, these runs end up being more costly due to regulations, guidelines, requirements, and distances traveled. The district transported approximately 70 special education students at a cost of \$262,551; an average cost of \$3,750 per student.

### **Courtesy Busing**

Courtesy busing is defined as "transporting elementary students who live within two miles of their school and secondary students who live within 2.5 miles of their school." State code sets these parameters, and, therefore, districts are not funded by the state for transporting these students. As a result, all taxpayers in the district bear the burden of courtesy busing.

Courtesy bused students make up a large portion of the district's daily transportation operation. Of the 910 in-district students transported daily, 526 (or 57%) are classified as being courtesy bused. Though eliminating courtesy busing would not reduce the board's in-district cost by 57%, transporting this many students certainly has an impact on its budget.

In 1996 legislation was passed to allow subscription busing. This allows school boards to charge parents/guardians for transporting students who live within the limits set by DOE.

There are a number of options or combinations of options the board should consider to reduce transportation costs.

### **Option 1**

Eliminate courtesy busing. Currently there are three routes for the primary school, seven routes for the intermediate school and one route for the high school that are outside the limits set by DOE. By eliminating these routes the district would save \$127,120 each year.

**Recommendation:**

**The board should eliminate courtesy busing.**

**Cost Savings: \$127,120**

**Option 2**

In addition, the district could consolidate high school routes A, B and C into two. Currently routes A, B, and C carry 91 students utilizing three 54 passenger buses with a total of 162 seats. By combining these three routes into two, the district could save \$11,012. In addition, intermediate school routes A, B, C, D, E, F and G transport 316 students, using seven buses with a capacity of 378 seats. These routes could easily be consolidated into six routes for a savings of \$11,012. The primary school routes A, B, D, and E transport 143 students utilizing 4 buses with a seat capacity of 216. These could be consolidated into three routes for a savings of \$11,012. These consolidations could result in a projected total savings of \$33,036 for the district.

**Recommendation:**

**The board should combine high school routes A, B and C into two routes; intermediate school routes A, B, C, D, E, F and G into six routes and primary school routes A, B, D and E into three routes for a combined savings of \$33,036.**

**Cost Savings: \$33,036**

**Option 3**

Consideration should be given to instituting a “subscription busing” program. If the district were to charge each courtesy bused student one half of its in-district cost, \$170, or \$.94 per day, the district could save approximately \$89,400. Subscription busing would not only reduce the district’s operating cost, but it would also redirect some of the cost to the parents as opposed to all of the taxpayers in Ocean City. Option three could be instituted in combination with option 2 for an additional savings of \$33,036.

**Recommendation:**

**The board should consider a subscription busing program to reduce its operating cost and shift a portion of the burden for courtesy busing to the parents/guardians rather than the taxpayers of Ocean City.**

**Cost Savings: \$89,400**

**Transportation Coordinator**

As previously stated, the duties of transportation coordination are performed by the primary school principal. The review team feels that such duties should be directed toward central office school operations. This would serve to reduce reporting errors. For example, in the District Report of Transported Resident Students (DRTRS) Summary Report filed for the 1998-99 school year, the district indicated that 526 elementary school students were courtesy bused while no such busing was provided for secondary school students. According to high school route

(HSRD), 39 students who live less than two miles from the high school are, in fact, courtesy bused. (Potential reassignment of these duties is further discussed in the Administration Section of this report.)

### **Service Contracts**

Transportation contracts for this district have not been bid for quite some time. Rather than seek new bids/bidders, the district has renewed existing contracts with the current vendor. Based on the data provided, routes have been renewed as many as ten times. The district should reconsider this practice. The bid process is meant to foster competition and insure that the taxpayers are getting the best value for their tax dollars.

### **Recommendation:**

**Re-bid transportation contracts on a regular basis.**

## **FOOD SERVICE**

An extensive review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to the school kitchens and cafeterias to observe operations, and analyses of various documents, including the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the years ending 1995 through 1998.

According to budget guidelines, if a district receives state and/or federal reimbursement for food service costs, or collects fees from students for the cost of meals, the entire food service operation must be recorded in a separate enterprise fund, not within the budget's general fund. Any contribution made by the board toward the food service operation is reported as a lump sum contribution transferred to cover any deficits. The Ocean City Board of Education appropriately records the food service operations. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises, with the intent that the costs of providing goods or services be financed through user charges.

The district has three production kitchens. They are located in the high school, the intermediate school, and the primary school. School lunches, breakfasts and foods for meetings and special functions are prepared in the production kitchens. No food is provided for board meetings except bottled water. Production kitchens generally provide higher quality meals and offer more flexibility for tailoring meals to student preferences than satellite kitchens. At the same time, these kitchens are generally more costly and require more staff.

Ocean City currently charges \$1.70 for a student lunch in the primary school, and \$1.85 in the intermediate and high schools. Teachers and staff members can purchase lunch for \$2.40. The district is charging \$.90 for breakfast in the primary school, \$1.00 in the middle school and \$1.40 for adults. (Breakfast is not offered in the high school.)

The district is using a pre-printed ticket system for its food program. Different ticket colors are used to identify the respective schools. The paid meals, free meals and reduced meals are identified by the number printed on the tickets. Students can purchase their meal tickets from the food service cashiers.

Staffing for the food service program includes 20 employees; 19 workers and one director. Fifteen food service workers work 30 hours per week and receive full family coverage medical benefits. The benefits cost for each food service worker ranged from \$2,596 to \$9,054. Four food service workers work less than 20 hours per week and do not receive benefits. Salaries for the food service employees range from \$11,298 to \$15,659 per year (including longevity pay ranging from \$476 to \$1,072 for school year 1997-98.) Part-time food service workers are compensated at \$7 per hour. All food service workers receive ten paid holidays and ten paid sick days.

An analysis of the district's food service labor costs was conducted in accordance with standards and formulas used by the food service industry to assess the program's efficiency and productivity. The efficiency and productivity of a food service program is determined by averaging the number of Meals Per Labor Hour (MPLH). The average MPLH is calculated by dividing the total average daily hours worked by the average daily meals (including breakfast and a la carte equivalents) served by a school. According to food service industry standards, a food service worker should be able to produce at least 15 MPLH's. Anything below the standard number of 15 MPLH's indicates that the district has a lower-than-average productivity rate. A lower-than-average productivity rate indicates that a district has too many food service workers on the payroll and/or that the workers are working too many hours. The average meals per labor hour for the Ocean City district is 13.

The following table illustrates the district's expenses and income and provides a comparison to the market.

	<b>1997-98 Food Service Costs</b>	<b>Cost as a % of Total Food Service Revenue</b>	<b>Market Rate</b>
Cost of Goods	\$200,935.20	41.0%	39% - 45%
Payroll	\$368,767.33	75.3%	40% - 45%
Supplies and Materials	\$11,799.39	2.4%	4% - 5%
Miscellaneous	\$8,254.03	1.7%	.2% - .5%

Total food service revenue for 1997-98 was \$489,766.77. The above table shows that the percentage of labor cost for Ocean City was 30% to 35% higher than the market. Cost of staff salaries and cost of commodities are the two greatest expenses in the district's enterprise fund and, therefore, have the greatest impact on the cost-per-lunch.

Participation rates in Ocean City were approximately 60% in school year 1997-98. Participation rates were calculated based on enrollment. The fact that a high number of children are

participating in the lunch program indicates a good level of satisfaction with the program among students. A high participation rate can impact the kitchen's operating efficiency, increasing the benefit of economies of scale in food purchases and preparation.

The following table illustrates the district's meal counts for school years 1997-98, 1996-97 and 1995-96.

		<b>1997-98</b>	<b>1996-97</b>	<b>1995-96</b>
Lunch	Paid	71,549	88,733	100,171
	Reduced	11,288	8,974	11,024
	Free	50,995	49,058	53,478
	Total	133,832	146,765	164,673
Breakfast	Paid	814	667	773
	Reduced	702	385	862
	Free	12,358	8,704	8,143
	Total	13,874	9,756	9,778
Special Milk	Paid	4,604	5,966	5,151
	Free	4,141	3,853	3,527
	Total	8,745	9,819	8,678

The total lunch counts or participants dropped more than 23% between school years 1995-96 and 1997-98 as is indicated in the above table.

Students in the primary school have a 25-minute lunch period along with a 20-minute recess. The high school and intermediate school students have a 20-minute lunch period. The intermediate and high schools have four seatings for lunch and the primary school has three. During lunchtime, teachers are assigned lunch duty. This is in accordance with their negotiated agreement. In addition to the teachers performing lunch duty, classroom aides are hired to assist in the cafeterias. These lunch period costs are not included in the total district food service costs.

District staff members have expressed concern regarding 20-minute lunch periods not being long enough for high school and intermediate school students. In the high school cafeteria, two cashiers serve between 300 to 350 students per lunch period; an average of 7 to 8 seconds per student. Students toward the end of the lunch lines may have minimal time to eat their lunches. The short lunch periods may account for low participation in the lunch program. It was brought to the attention of the review team that for school year 1999-00 the food service staff is planning to prepare box lunches for students in the high school and the intermediate school to reduce the waiting time. Hopefully, this will increase student participation.

A cost per meal analysis was conducted. The average cost per meal was calculated by dividing the total 1997-98 annual expenditures by the total number of meals served for the year (including lunches, breakfast and a la carte equivalents). Certain expenses, such as repairs and depreciation, were subtracted from the enterprise fund budget for this calculation. The cost per meal in Ocean City was calculated as being \$2.34. This measure represents, on average, how much it costs the district to make and serve each lunch (and lunch equivalent). Ideally, this cost should not be

greater than the price charged per meal plus the reimbursement per meal. However, Ocean City charges less than the cost per meal. The difference between the cost and price per meal ranges from \$.49 to \$.64. This is approximately the amount per meal that the district subsidizes.

Identification of a surplus or deficit of the food services enterprise fund is intended to determine whether the fund is self-sustaining and operating efficiently. The following table illustrates the actual profit or loss for the food service program for school years 1993-94 to 1997-98:

	<b>1997-98</b>	<b>1996-97</b>	<b>1995-96</b>	<b>1994-95</b>	<b>1993-94</b>
School Lunch Program	134,318	155,837	176,366		
School Breakfast Program	985	770	1,011		
Special Milk Program	801	832	916		
Daily Sales-Non-Reimbursable Program	175,375	168,697	182,128	344,302	328,840
Special Functions	8,079	10,976	17,163	24,327	20,181
Total Operating Revenue	319,558	337,111	377,583	368,629	349,021
State School Lunch Program	9,090	9,552	11,858	12,382	12,093
School Breakfast Program	13,600	9,415	8,870		
National School Lunch Program	126,078	118,802	128,686	129,699	120,923
Special Milk Program	1,394	1,461	1,237	1,351	1,542
USDA Commodities	21,769	21,189	25,470	27,838	40,612
Interest Revenue	4,075	6,347	4,916	2,104	816
Other Income	15,971	16,148	7,658	2,216	3,912
Total Non-Operating Revenues	191,978	182,914	188,694	175,589	179,899
Total Revenues	511,535	520,025	566,277	544,218	528,920
Operating Expenses:					
Salaries	252,914	259,166	309,177	236,920	233,572
Fringe Benefits	115,854	110,610	137,580	161,586	176,008
Repairs and Maintenance	6,516	5,336	3,671	11,186	3,445
Supplies	11,799	17,134	14,041		
Depreciation	3,796	4,243	4,001	4,621	4,365
Cost of Sales	222,704	225,030	248,671	285,789	290,071
Miscellaneous	1,738	1,292	1,457	2,783	6,219
Total Operating Expenses	615,321	622,810	718,598	702,885	713,680
Net Income or (Loss) before Board Contribution	(103,785)	(102,785)	(152,320)	(158,667)	(184,761)
Board Contribution	-	-	-	135,000	504,278
Net Income or (Loss) after Board Contribution	(103,785)	(102,785)	(152,320)	(23,667)	319,517
Retained Earnings (Deficit) - July 1	(226,850)	* (124,065)	35,742	59,409	(260,108)
Retained Earnings (Deficit) - June 30	(330,635)	(226,850)	(116,578)	35,742	59,409

\*The 1995-96 financial statements for the food services fund have been restated in the 1996-97 financial statements for the fixed assets.

The food service program in Ocean City has been operating at a loss of more than \$100,000 a year for a number of years. (Total Revenues – Total Operating Expenses = Net Income or Loss

before Board Contribution.) In school years 1994-95 and 1995-96, the board contributed a total of \$639,278 to the enterprise fund, which did not include the salaries paid from the general fund for the amount of \$106,446 in 1994-95 and \$108,590 in 1993-94.

The district is under contract with a private vending company to install machines in the intermediate and high schools. Vending machines contain juice products, soda and snacks. All profits from these vending machines are contributed to the district's food service program. For school year 1997-98, the district had a profit in excess of \$15,000 from the vending business.

The food service director employed by the Vineland City Board of Education is coordinating a "joint purchasing consortium" for grocery items used in the food service programs in southern New Jersey. Most of the school districts are taking part in an effort to make this consortium work. Lower prices are generally offered with larger quantity purchases. Ocean City is one of several active members, purchasing groceries through this program. All consortium members meet once a month to share ideas and menus. The review team commends this practice.

### **Recommendations:**

#### **Option 1**

- 1. Increase the lunch and breakfast prices to the state level. The state lunch prices are \$2.25 for high school, \$2.00 for middle school and \$1.85 for elementary school. The breakfast prices are \$1.30 for high school, \$1.10 for middle school and \$1.00 for elementary school. Such price increases could result in additional revenue for the district of up to \$16,844. New Jersey Administrative Code (N.J.A.C.) 6:20-9.9b requires that adult meal prices shall be established to cover all costs associated with production and service of the adult meal or a minimum of \$.40 for lunch and \$.30 for breakfast more than the price of a student's meal at the corresponding school level.**

**Revenue Enhancement: \$16,844**

- 2. The district should consider extending each lunch period by ten minutes. To avoid extra salary, the district should consider having flexible or staggered shifts for the lunch time duties.**
- 3. In order to increase the number of meals produced per labor hour, the district should review the workers' schedules and their productivity. The number of work hours in the kitchens should be able to be reduced. According to industry standards, 75% of the staff should work five hours or less per day. If a half-hour was reduced from each food service worker's daily schedule, at an average hourly rate of \$10.70, the district could save \$17,789.**

**Cost Savings: \$17,789**



4. Benefits constitute a significant portion of the district's expenditures. To reduce the cost of benefits, the district is presently replacing full-time food service employees with part-time employees, by attrition. Though heading in the right direction, that of reducing costs for the district, it is a very slow moving process. The review team recommends that the district only pay for the employees' medical benefits. Employees' family members can purchase their medical insurance benefits at their own cost. If this practice were to be implemented, it could increase the district's savings by \$43,586. On the other hand, rules adopted by the State Health Benefits Commission on September 21, 1995 and effective October 16, 1995 permit school districts to require a longer work week standard before an employee is considered "full time" and eligible for benefits. Currently, state employees must work a minimum of 35 hours per week to qualify for free benefits. It is recommended that the district give consideration to this action.

Potential Cost Savings: \$43,586 - \$74,139

5. Increase the student participation rate by offering more choices for hot meals, operating on a three week menu cycle, reducing repeat entries and conducting periodic informal surveys regarding student preferences.
6. The district should consider converting to a scanning system for ID debit cards. This would improve the level of customer service at the point of sale. Ocean City might achieve the following benefits from increased use of technology with debit cards:
- Increased student participation;
  - Improved operational efficiency; and
  - Improved controls.

## Option 2

Contract out the food service program to a private sector food management company. Based upon the team's review of private food service contracts in other districts, the total cost, including food, labor and management fees for a typical food service program ranges from \$1.00 to \$2.00 per meal. An average savings of approximately \$87,846 could be attained by competitively contracting out the total food service operation in the Ocean City Schools.

Cost per meal for Ocean City	\$2.34
Maximum cost per meal from private management	<u>\$2.00</u>
	.34

Number of meals served in 1997-98 (included lunches, breakfast and a la carte equivalents)	258,370
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Cost Savings: \$87,846

## **BOARD OF EDUCATION**

### **Board Member & Superintendent Expenses**

An analysis of board member expenses for the 1997-98 school year indicated that the district's major expense, \$22,816, was for NJSBA dues. Board members are reimbursed for costs related to their responsibilities as board members. For school year 1997-98, only one board member made a claim for reimbursement and it was under \$100. Board members make a concerted effort to keep expenditures at a minimum. Though the board has a written policy for board member expenses, the policy does not have a set limit for travel, lodging and meal expenses.

A cellular phone has been issued to the superintendent. The cost of this phone was incorrectly charged to object 890 (Miscellaneous). Prior to 1998, the superintendent was reimbursed a total of \$3,600 (\$300 a month) for automobile allowance. This cost should be recorded as part of the travel expense; however, it was charged to the miscellaneous account. In 1998, the automobile allowance was reduced to \$3,000 and included in the superintendent's taxable salary.

Further analysis was conducted which included the other purchased services (Object 590) and miscellaneous expenses (Object 890). It revealed that some expenditures were not properly recorded into appropriate accounts. The district charged expenses for membership dues, stationary, flower arrangements and subscriptions to "other purchased services." All of these expenses should be recorded as "miscellaneous" expenses except stationary. Purchase of stationary should be recorded as part of the supplies and materials expenses.

### **Recommendations:**

**Although the board's records indicate no excessive expenditures relating to workshops, it is good practice to have a policy indicating the maximum allowable amounts for lodging, food, and other expenses.**

**The business office should make sure that the expense reference handbook and chart of accounts is available for staff members. A higher level administrative staff member should carefully review the purchase orders and accounts should be charged before approval.**

**The district should consider creating a new extended miscellaneous account to record board member expenses. The team realizes that this new extended board member expense account is not required by the Department of Education, but it provides a clear picture of the board member's spending.**

### III. COLLECTIVE BARGAINING ISSUES

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well-conceived process of developing compensation packages to be equitable and comprehensive. For this reason, we present those issues subject to collective bargaining agreements separately in this section.

LGBR reviewed four collective bargaining agreements which are currently in effect in the district. The following chart illustrates the name of the unit, the employees covered in the agreement and the dates of the contracts reviewed:

<b>Unit</b>	<b>Employees Represented</b>	<b>Contract Period</b>
Ocean City Education Association	Classroom Teachers, Nurses, Specialists, Guidance Counselors, Comp. Ed. Teachers, Media Specialist, Librarian, AVA Coordinator, Computer Specialist, Student Asst. Coordinator	July, 1997 – June, 2000
Ocean City Educational Support Staff Association	Clerical Aides, I.M.C. Aides, Instructional Aides, Nurse's Aides, Receptionist Aides, Supervisory Aides, Cafeteria Workers, Secretaries, Custodians, Maintenance Personnel, Groundskeeper, Personal Aides	July, 1997 – June, 2000
Ocean City Administrators' Association	H.S., I.S. and P.S. Principals, H.S. and I.S. Asst. Principals, Dir. of Curr./Tech., Dir. of Spec. Services, Dir. of Guidance	July, 1998 – June, 2001
Ocean City Department Supervisors' Association	Department Supervisors	July, 1997 – June, 2000

Recommendations are subject to negotiating changes in current agreements.

#### **Bonus for Unused Sick Leave**

Unused sick leave accumulates from year to year. Teachers and department supervisors employed prior to 6/30/95 were allowed to accumulate all unused sick days prior to that date. Compensation is arrived at by taking the salary at retirement/death and dividing it by 200 (finding the per diem rate). Payment is then calculated by taking 30% of the per diem rate and multiplying it by the number of accumulated sick days. Sick time accumulated after 6/30/95 is paid using the same formula with a maximum of \$7,500.

For support staff employees a compensation agreement somewhat similar to the one above exists.

Also, teachers and department supervisors and support staff employees who utilize days accumulated prior to 6/30/95 are allowed to replenish those days, up to the maximum previously accumulated.

It should be noted that the median number of years of experience for faculty in this district is 20 (four years above the state median).

### **Unused Personal Days**

Teachers, department supervisors and support staff employees are entitled to credit unused personal days to accumulated sick leave for future use or reimbursement upon retirement/death. If each of these employees were to convert just one of their unused personal days to accumulated sick leave each year, it would result in the district crediting 300+ days to employee accumulated sick leave each year.

### **Recommendation:**

**The board of education should eliminate the annual conversion of unused personal leave to accumulated sick leave.**

### **Longevity**

Contracts include provision for longevity payments to teachers, department supervisors and members of the Administrators' Association, which are in addition to the salary guides. These longevity payments are made to the employees, solely on the basis of extended years of service. Ocean City's salary guides are reasonable and the incremental increases, which recognize years of service, are included in the guides. In the 1998-99 school year, longevity payments to all district teachers (who constitute 62% of district employees), totaled \$576,547. For those teachers who have been continuously employed in the Ocean City School District, the following longevity amounts apply:

14-16 yrs.	3% of step 13 BA salary scale
17-19 yrs.	5% of step 13 BA salary scale
20-22 yrs.	7% of step 13 BA salary scale
23-25 yrs.	9% of step 13 BA salary scale
26 or above yrs.	13% of step 13 BA salary scale

For those administrators and department supervisors who have been continuously employed in the Ocean City School District, the following longevity amounts apply:

10-14 yrs.	\$ 250
15-19 yrs.	\$ 500
20-24 yrs.	\$ 750
25-34 yrs.	\$1,000
35 or above yrs.	\$2,000

For those support staff employees who have been continuously employed in the Ocean City School District, the following longevity amounts apply:

13-16 yrs.	2.0 % of top step of Custodial salary guide
17-19 yrs.	3.0 % of top step of Custodial salary guide
20-22 yrs.	4.5 % of top step of Custodial salary guide
23-25 yrs.	5.5 % of top step of Custodial salary guide
26-28 yrs.	7.0 % of top step of Custodial salary guide
29 yrs.	8.0 % of top step of Custodial salary guide
30 yrs.	10.5 % of top step of Custodial salary guide

Of the 207 current teachers, as projected for the 1999-00 school year, 134 are to receive longevity payments as part of their regular salaries. The following chart illustrates the number of teachers and the number receiving longevity payments:

Category	No. of Employees	No./% Receiving Longevity	Longevity Cost
Teachers	228	134/58%	\$654,510
Supervisory Staff	19	12/63%	\$ 28,864
Non-Certificated Staff	93	36/38%	\$ 44,932

#### **Suggestion:**

**LGBR does not support the concept of longevity payments, per se. Salary guides should reflect true compensation values, and additional payments for years of service should simply be incorporated into salary guides so that the guides do, in fact, reflect the true compensation values.**

#### **Accumulated Sick Time Buyout Offering**

The Ocean City School System has, in the opinion of the review team, an exceptionally generous salary guide. According to the projected 1999-00 base salary plus longevity estimates provided by the district's business office, Ocean City's average teacher salary is over \$65,000 per year. This, combined with a generous health insurance program, makes the total salary package for teachers very costly.

As of July, 1999, the district's teaching staff has an average age of forty seven years, yet there were only eleven teachers who qualify for retiree health benefits by having 25 years of service and being over 55 years old. This number will increase to 23 by July, 2000. The district successfully negotiated with the teachers association a time cap on sick leave payments. The review team encourages the district to renegotiate with the association to set a dollar cap, as well as the present time cap that was negotiated in the last contract. This would provide an opportunity to reduce the payroll burden found in this district.

Sick time buyouts offered to all employees could result in lower salary costs for the district. The individuals, who would be likely to accept a more lucrative sick time buyout, are those who could retire with health benefits provided. Others are eligible but are less likely to accept an incentive to leave unless it is significantly lucrative for the individual.

The district could increase the per diem for each unused sick day for all of its employees from 30% of salary to 50% of salary and cap payments at \$25,000 for the period of the contract. There would be 23 people who would be eligible to retire as of July, 2000 with health benefits and who would more seriously consider the offer. Everyone would be offered the increased buyout and the cutoff date for days should not change from the prior contract. There should also be a provision in the contract that the dollar cap should be reduced to \$15,000 after the contract period lapses, in order to provide an incentive to more people to consider early retirement. It is important that this be offered to all employees but, in computing potential savings, it is assumed that only employees who have a sufficient "retirement package" would consider such an opportunity.

Even if only 12 out of the 23 retirement eligible individuals accept the offer at a cost of \$291,000, the district would save a net of \$181,000 in salary costs the first year, and an additional \$472,000 in the second year.

**Recommendation:**

**The district should change its sick time buyout; set a dollar cap, increase the per diem from 30% to 50% and lower the dollar cap at the end of the contract period. If 12 people with the highest buyout amounts were to accept the offer, at a cost of \$290,000, the net savings in the first year would be \$181,000. The savings would escalate with lower entry salaries negotiated into the salary guides. The subsequent years' savings would be more than twice the initial savings and this is not included in the savings figure below.**

**Potential Cost Savings: \$181,000+**

**Instruction Time**

Instruction time (daily) at the high school for the 1997-98 school year was significantly longer (5 hrs. 52 min.) than the state average (5 hrs. 29 min.) At the middle school level the instruction time was very close to the state average. At the primary level daily instruction time was 14 minutes less than the state average of (5 hrs. 29 min.). Increasing the daily instruction time at the primary level by 14 minutes per day would realize a significant productivity enhancement.

**Recommendation:**

**Increase the daily instruction time at the primary level.**

#### IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

The Ocean City Board of Education participates in a number of shared service arrangements that provide needed resources and services at reasonable costs. Examples include the following:

- **Transportation** - The district takes advantage, along with other area schools, of transportation services provided by the Cape May County Educational Services Commission for its special education and vocational/technical school runs.
- **Purchasing** - Along with other districts, Ocean City takes part in cooperative purchasing with the Pittsgrove Township BOE for various supplies (e.g., office supplies and copy paper); the same for purchasing of natural gas from Pittsgrove/Woodruff, Inc. The district takes part in joint bidding with the Ocean City municipality for custodial supplies and, along with other districts, cafeteria commodities are purchased from the South Jersey Food Coop Consortium.
- **Grounds & Facilities** - The district and the municipality work very closely in sharing various facilities and athletic fields owned by one or the other. There appears to be an excellent working relationship between the two parties regarding, not only the sharing of resources, but also maintenance of these resources. The municipality also works with the district in providing such services as trash collection, paper recycling, salting and street sweeping of parking lots and driveways and lining of athletic fields.
- **Services** - County-wide services include staff development and in-service training initiatives, election expenses and occupational & physical therapy services from the Cape May Educational Services Commission. Services shared with other districts include some distance learning and recreational/summer enrichment programs. Municipal/school services include recreational/athletic programs and Project D.A.R.E. with the police department.
- **Administration** - The business administrator/board secretary works for both Ocean City and a sending district.

#### **Recommendations:**

**Printing and publishing functions presently being performed by both the school system and the municipality should be combined. This could realize savings for both entities.**

**Estimated School Savings: \$2,000 - \$3,000**

**Additional bulk purchasing with the municipality in such areas as office supplies and athletics supplies could realize additional savings for the district.**

**Estimated School Savings: \$2,000 - \$3,000**

**P.L. 1999, Chapter 60 was signed into law earlier this year by Governor Whitman to provide aid to local units of government, including school districts, to study regionalization and shared and consolidated services. A school district that plans to study or implement a regional service agreement may apply for a grant and/or loan to study or implement regional service or consolidation opportunities and to fund one-time start-up costs thereof by visiting the DOE Web site at: <http://www.state.nj.us/njed/grants/redi.htm> or by calling the DOE at (609) 633-2454.**



## **LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS**

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